

PEOPLE

Connally Auction... \$2.7 Million... four-day bankruptcy...

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Mystery donor slipped... Paris benefit Tuesday... British pilot Brian Burrows...

Hotels... GREAT BRITAIN... HOTEL NUMBER ONE... ACCESS VOYAGES...

Italy Coalition Wins 2 Votes... ROME (Reuters) — The Italian government Friday won two votes of confidence...

Japan's Surplus Grew Last Year... Japan's surplus in trade of goods and services with the rest of the world...

Coloring Belgium: No Bold Images... Pierre De Bandt, president of the Coudenberg group, a Brussels think tank...

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ESTABLISHED 1887



WEST BANK PROTEST — Palestinians burned tires and threw stones in Nablus on Friday. Israel, meanwhile, eased restrictions in the occupied territories and punished some soldiers for excessive beating during Arab protests. Page 5.

U.S. May Indict Noriega

Grand Jury Probe In Miami Focuses On Drug Trade. By Elaine Sciolino. WASHINGTON — The Justice Department is prepared to indict General Manuel Antonio Noriega...



Javier Solana, the Spanish government spokesman.

Basques Offer To Talk

But Spain Insists On Truce Before Seeing Separatists. MADRID — Basque guerrillas offered for the first time Friday to negotiate a truce in their 20-year war for independence...

Memo to Meese Reportedly Cited Payoff

By Ronald J. Ostrow. WASHINGTON — The independent counsel investigating Attorney General Edwin Meese 3d is focusing on a memorandum to Mr. Meese from a longtime friend...

Sofia Slips in Rush To Please Moscow

By Jackson Diehl. WASHINGTON Post Service. SOFIA — During the 33 years he has ruled Communist Bulgaria, President Todor Zhivkov has followed the lead of five successive political chiefs in Moscow...

Going Home for Soviet Vets

Afghan Returnees Resent Distortions in Official Media. By Celestine Bohlen. WASHINGTON Post Service. MOSCOW — Valeri Burkov was a soldier in Afghanistan when he realized that his war was different from the one his family was hearing about back in western Siberia...

Kiosk

Italy Coalition Wins 2 Votes. ROME (Reuters) — The Italian government Friday won two votes of confidence...

Economy Forum Warns On Currency Instability

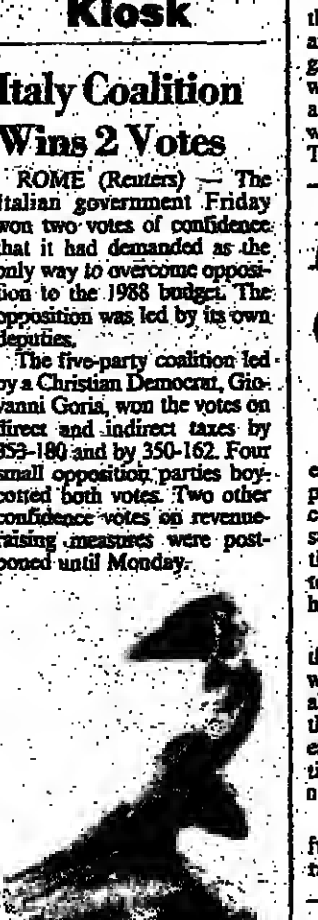
By Reginald Dale. DAVOS, Switzerland — Government and business leaders expressed widespread concern over currency instability and the new strains facing the world economy at the opening Friday of a major international business conference here...

Japan's Surplus Grew Last Year

Japan's surplus in trade of goods and services with the rest of the world inched up to a record \$86.69 billion last year, from \$85.85 billion in 1986, the Finance Ministry said Friday...

Coloring Belgium: No Bold Images

By Mary Blume. BRUSSELS — Carlo de Benedetti's attempt to take over the Société Générale de Belgique has aroused a rare emotional display here because it is seen as yet another foreign invasion...



"Côte d'Azur," a statuette by Lahque for the inauguration of a train in 1929, was part of a Paris sale. Source: Melikian reports. Page 6.

Meeting the Pontiff

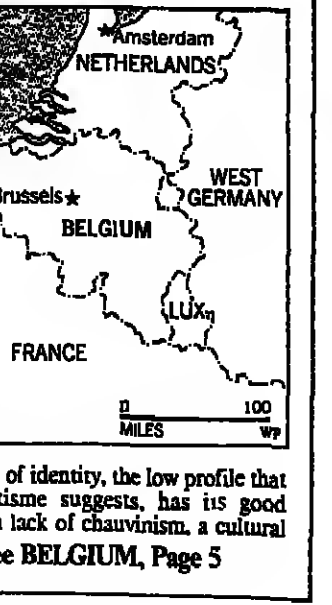
MEETING THE PONTIFF — President Daniel Ortega Saavedra of Nicaragua shaking hands Friday with Pope John Paul II at the Vatican. Meanwhile, Sandinist and contra negotiators ended their first set of direct talks in Costa Rica without reaching a cease-fire accord. Page 3.

General News

George Bush's version of his role in the Iran affair conflicts with the record. Page 3. New high-tech export guidelines appear to please both the U.S. and its allies. Page 2.

Dow Close

Table with financial data: Dow Close, The Dollar in New York, DM 1.6815, Yen 128.05, FF 5.8665.



The lack of identity, the low profile that middleclassness suggests, has its good points — a lack of chauvinism, a cultural See BELGIUM, Page 5

High-Tech Export Pact: An Exercise in Unity

Both the U.S. and European Allies Appear Pleased by New Guidelines

By Joseph Fitchett
International Herald Tribune

PARIS — In a rare display of trans-Atlantic unity on the issue of technology controls, U.S. and European officials said Friday that Western nations and Japan have injected fresh determination into their embargo against high-tech sales to the Soviet Union.

The Coordinating Committee on Multilateral Exports, or COCOM, meeting this past week, sealed an accord covering tougher law enforcement against smugglers, a shorter list of sensitive technology and freer high-tech trade among the Western allies.

Capping a series of deals over the last six months, the COCOM meeting at Versailles, near Paris, was a political success that will help prevent the technology embargo from becoming entangled in other trade

frictions, particularly in the U.S. Congress, the officials said.

The Reagan administration and the allies want to head off congressional moves to impose unilateral U.S. sanctions on foreign companies that violate COCOM rules.

European governments are eager to see the United States liberalize its licensing rules among allies after five years during which trans-Atlantic trade seemed threatened by the technology quarrel.

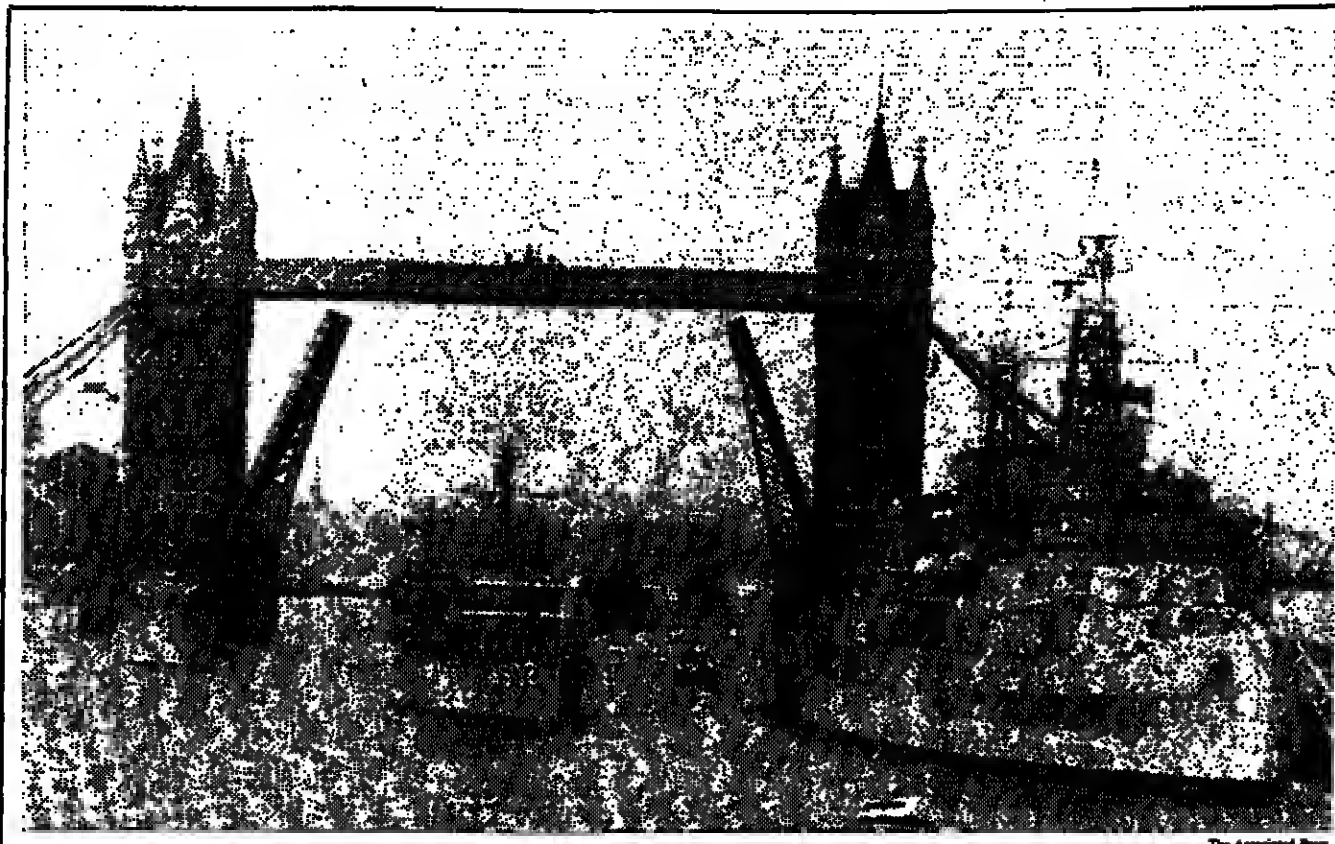
Western solidarity also has political weight, officials said, against export lobbies in Japan and West Germany that seek looser technology restrictions.

They said the Reagan administration is anxious to ensure that the technology embargo does not crumble in an era of relaxed East-West tensions.

To help strengthen COCOM, the Reagan administration has imposed at least the surface appearance of unity on the departments of Commerce and Defense, which have disagreed on the issue, and has urged European governments to be more outspoken.

A U.S. official who was at the meeting said, "It's a domestic risk for European governments to explain this sensitive issue, but it's a bigger political risk for them with the U.S. Congress to be silent."

Earlier, officials in the U.S. delegation, led by John C. Whitehead, the deputy secretary of state, said



MINESWEEPERS ON THAMES — A squadron of NATO minesweepers from West Germany, Belgium, Norway, Holland and Britain, passing Friday under Tower Bridge in London. The warships put into port for a three-day visit.

U.S. Joint Chiefs Forgo a Deal on INF

By John H. Cushman Jr.
New York Times Service

WASHINGTON — In a departure from their practice with previous arms-control treaties, the U.S. Joint Chiefs of Staff are not demanding compensation in the form of new weapons as a condition for endorsing the treaty banning intermediate-range missiles.

Instead, the military leadership is saying that the INF Treaty is sound militarily — a much stronger endorsement than it gave previous arms-control agreements.

In Senate committee hearings this week, the military continued to call for additional spending on new weapons after the treaty takes effect. But senior officers are careful in describing their endorsement as unconditional in an effort to prevent the treaty's critics from scuttling it with binding conditions.

In the face of budget cuts, the military leadership might have been expected to use its endorsement as a convenient bargaining chip with the Reagan administration to trade for weapons that the Pentagon says it badly needs. Senior officers apparently fear that directly tying the treaty's ratification by the Senate to further arms investments could scuttle it and therefore damage the North Atlantic Treaty Organization without securing long-sought new weapons.

By contrast, when the first strategic arms treaty was signed in 1972, the Joint Chiefs made clear in the public debate that their endorsement was conditioned on acceptance of a package of new nuclear weapons, including the B-1 bomber and the Trident submarine-launched missile.

Like when President Jimmy Carter unsuccessfully sought Senate approval of the second arms treaty in 1979, SALT-2, the military won a pledge that the Pentagon could deploy the MX missile. The Carter administration also laid the groundwork for a broad military spending increase, but it left off before the money was appropriated.

Military leaders have offered several reasons for not attaching conditions to the INF Treaty.

Admiral William J. Crowe Jr., the chairman of the Joint Chiefs and the senior military adviser to President Ronald Reagan, has testified that the military's concerns about the treaty itself were all favorably resolved during negotiations with the Soviet Union.

The Joint Chiefs' main areas of concern were the treaty's verification provisions, the inclusion of Soviet missiles deployed in the Far East, and the exclusion of French and British missiles and aircraft-delivered nuclear bombs.

Admiral Crowe, who said his

views had been unanimously endorsed by the Joint Chiefs, also has expressed pleasure about the fact that the treaty will lead to the withdrawal of 1,400 Soviet warheads, compared with 400 U.S. warheads.

Most important, military experts have testified, is the military's view that the allies are welcoming the accord. The favorable response in Europe, they say, may well lead to a stronger consensus there in favor of future military programs.

Some senators, skeptical of the treaty, have proposed to amend it to require a balance of nonnuclear forces more favorable to NATO.

The Pentagon has not backed away from its contention that the Warsaw Pact has been gaining on NATO in military capabilities.

"Basic asymmetries still exist," said a Pentagon report delivered to Congress this week, "because of the Warsaw Pact's geographic advantage and its ability to reinforce land and air forces from the U.S.S.R., and the major quantitative advantages it maintains in essentially every category of offensive forces."

At the same time, military leaders said in testimony, the treaty must not be directly linked to redressing any perceived imbalance.

"The improvements that we are advocating, and we strongly suggest, are not conditioned on the INF treaty," Admiral Crowe told

the committee's senior Republican, Senator John W. Warner of Virginia. "We're disturbed about the balance today, and when the INF Treaty is completed we're still going to be disturbed about it. They're separate and distinct."

"In other words," Mr. Warner said, "the support that the JCS has given this treaty contains no conditions."

"No conditions," the admiral responded.

Even while endorsing the treaty without conditions, the Joint Chiefs have called for new atomic weapons for Europe, including nuclear artillery shells and more modern nuclear missiles with ranges just short of those covered by the new treaty.

Senator Carl Levin, Democrat of Michigan, the chairman of the Armed Services subcommittee on conventional forces, asked Defense Secretary Frank C. Carlucci whether the new treaty, or a future agreement cutting longer-range strategic forces, should be linked "to either some conventional arms balance status or to some progress in conventional arms control."

Mr. Carlucci responded that such a condition would be a "killer amendment."

"I would regard such an amendment as extremely undesirable," he said.

WORLD BRIEFS

Iraq Claims It Hit Another Gulf Ship

DUBAI, United Arab Emirates (Reuters) — Iraq said its planes hit another ship in the Gulf on Friday as a tugboat company denied reports that two crewmen were killed on one of its vessels in an earlier Iraqi strike.

A military spokesman in Baghdad said Iraqi jets had raided a large naval target, a tanker or cargo ship, off the Iranian coast. The last confirmed hit, the sixth by Iraq this month, was on the 225,668-ton Cyprus tanker Coral Cape on Wednesday.

The Singapore company SEMCO, which contracts tugs to Iraq, denied that one of its vessels had been hit and that two crewmen had been killed during the raid on the Coral Cape. "I am in touch with our ships," a SEMCO official said. "There is no hit."

China Weighs Extensive AIDS Tests

BEIJING (AP) — Zeng Yi, the head of China's AIDS research efforts, has called for regular and widespread blood testing to ensure that the disease does not spread among the nation's one billion people, the China Daily said Friday. It was the first time widespread testing among Chinese has been suggested publicly.

The newspaper also said that the government has suggested that Chinese who have been abroad for more than a year should undergo a test for acquired immune deficiency syndrome when they return. It did not give details of how such tests would be conducted or whether they would be mandatory.

Foreigners who come to China for more than a year already are required to undergo AIDS tests before they can receive residence permits.

Salvador Appeals Order to Free 3

SAN SALVADOR (Reuters) — Three men suspected of killing 45 persons, including four U.S. marines, will remain in prison while their court-ordered release is appealed to the Supreme Court, the Salvadoran government said Friday.

The three were to be released on Friday after a military court decision to grant them amnesty under the provisions of a Central American peace accord. The United States has threatened to cut \$18.5 million in aid to El Salvador if the three men, who have been held without trial, are released.

The military court ruled that the 13 deaths, which occurred in a machine-gun attack on a cafe in 1985, were a result of a political act. After the military court ruling, Attorney General Roberto Giron Flores said he would file a motion with the Supreme Court to dismiss the amnesty. He contends the attack was a common crime. The three men can be held for up to 15 days after the case goes to the Supreme Court.

Re-election Seen for Finnish Leader

HELSINKI (AP) — President Mauno Koivisto of Finland, 66, appeared assured of re-election Friday second six-year term next week as his closest challenger, Prime Minister Harri Holkeri, pledged to support him in the case of a runoff vote.

Under new voting rules, a candidate can be directly elected if he wins a majority. If not, the contest is to be decided by 301 electors who are chosen on a separate ballot. Four million Finns are eligible to vote in the elections Sunday and Monday, but experts predicted a low turnout of just over 70 percent because of Mr. Koivisto's clear lead.

"I will encourage my electors to vote for the most popular candidate if I'm knocked out," Mr. Holkeri, of the conservative National Coalition Party, said Thursday in a televised debate among the five candidates.

Greek and Turkish Chiefs to Meet

ATHENS (UPI) — Prime Minister Andreas Papandreu of Greece flew to Switzerland on Friday for what diplomats called a historic meeting with Prime Minister Turgut Ozal of Turkey.

Officials said the two prime ministers, bitter rivals over Cyprus, exchanged messages for 10 months before agreeing to meet this weekend at Davos, about 75 miles (120 kilometers) southeast of Zurich. It will be the first face-to-face encounter between Greek and Turkish heads of government in 10 years.

Apparently in a bid to avoid raising excessive hopes about what may emerge, the semi-official Athens News Agency played down the meeting, saying it would be held "in the margin" of the World Economic Forum. But diplomats said the Papandreu-Ozal discussions would overshadow other meetings at the forum, an annual gathering of political and economic leaders organized by a Swiss company.

Ecuador Gets New Interior Minister

QUITO, Ecuador (Reuters) — Two days before national elections, President Leon Febres Cordero on Friday named Heinz Mueller Freile, a lawyer and former congressional deputy, as the new interior minister, to succeed Luis Robles Plaza, who resigned amid allegations of human rights abuses.

Mr. Robles Plaza resigned Thursday. He previously had defied a congressional resolution urging him to resign for allegedly violating the rights of political prisoners.

In a television address, Mr. Robles Plaza said he was ending his political career because he did not want to cast a shadow over the elections Sunday, in which Ecuadorians are to vote for a president, vice president and 71 deputies.

Italy Expects New Series of Strikes

ROME (AP) — Travelers braced for a new series of strikes by railroad and airport workers this weekend in the wake of disruptions during the past week.

Station personnel announced a 24-hour walkout aimed at disrupting railroad service in protest against management plans to reduce the workforce and close some branch lines. At the airports, a three-hour strike Friday by ground personnel forced Alitalia to cancel 88 of its 470 daily flights. The workers are locked in a dispute with management over the renewal of their contracts and have been striking off and on for weeks.

Belgian air controllers resumed work Friday after 11 days of intermittent walkouts that disrupted international traffic, a spokesman for the Belgian airways administration reported.

An Amtrak train carrying about 100 passengers struck a maintenance vehicle and derailed early Friday about 15 miles (25 kilometers) south of Philadelphia, injuring at least 24 persons. Traffic was delayed throughout the busy Boston-Washington rail corridor.

South Africa Jet's Wreckage Found in Sea off Mauritius

By William Claiborne
Washington Post Service

JOHANNESBURG — The wreckage of a South African Air Force jetliner that crashed in November, killing 159 on board, was found Friday deep in the Indian Ocean north of the island of Mauritius.

The Department of Transport in Pretoria said that the "debris field," extending 1,400 feet along the seabed at a depth of 2.7 miles (4.4 kilometers), had been located by special sonar scanning equipment provided by the U.S. Navy.

However, a department spokesman said that recovery of selected parts of the wreckage of the Boeing 747 jet is not expected to begin until May or June.

Searchers did not find the cockpit data and voice recorders, which could explain what caused South Africa's worst air disaster. The search for the Titanic's wreckage, recovery will be the use of a French-built submarine, the Nautique, which was used in the search for the Titanic's wreckage.

NEWS ANALYSIS

frictions, particularly in the U.S. Congress, the officials said.

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Earlier, officials in the U.S. delegation, led by John C. Whitehead, the deputy secretary of state, said

South Africans Keep Pressure on Angolan Troops

LUANDA, Angola — South African planes and artillery launched over 40 attacks in southern Angola from Jan. 14 to 26, threatening government positions in three provinces, Angola said Friday.

Meanwhile, Chester A. Crocker, U.S. assistant secretary of state for African affairs, conferred in Luanda with Angolan officials on ways to achieve independence for South-West Africa, which is controlled by South Africa and from which South African forces are launching their raids.

A Defense Ministry spokesman said South African forces, backed by fighter planes, howitzers and armored cars, kept Angolan troops under pressure in the three southern provinces of Cuando-Cubango, Huila and Cunene. The spokesman gave no details of casualties on either side.

Western diplomats said the fighting was likely to hamper Mr. Crocker's efforts to obtain a commitment from the Angolans to send home an estimated 35,000 Cuban troops. Most of the Cubans occupy a defensive line stretching inland from the port of Namib, about 120 miles (200 kilometers) north of the South-West African frontier.

Syphilis Cases Up 30% in U.S.

ATLANTA — There were 30 percent more syphilis cases reported in the United States last year than in 1986, reaching the highest level since 1950, according to the U.S. Centers for Disease Control.

While the rate among heterosexuals increased, the centers reported Thursday, there was a drop in cases reported among homosexual men, which the centers attributed to lifestyle changes prompted by the spread of AIDS.

In 1987, there were 35,398 reported cases of syphilis, or 14.7 cases per 100,000 people. In 1986, 16.7 cases were reported per 100,000 people.

VETERANS: Soldiers Resent Soviet Press Image of Afghanistan War

(Continued from Page 1)

home. This has posed a special burden for returning Afghan veterans — Afghanistan as they are called — who sometimes have to convince their audiences that what they were involved in really was a war that left Soviet men dead or wounded.

An article in the weekly magazine, in newspaper articles and in private homes. As Soviet diplomats intensify efforts to bring the estimated 115,000 troops home, the public is apparently being prepared for a national debate over the war.

The three Afghan veterans echoed what appears to be the common line: that Soviet troops were sent into Afghanistan before local conditions were fully understood; that the war dragged on much longer than expected; that U.S. support for the rebels contributed to prolonging the conflict just as much as Soviet intervention.

Asked what is likely to emerge in Afghanistan after a pullout of Soviet troops, Captain Sokolov, 29, said, "probably the same thing we had" after the Russian Revolution in 1917, "when we were building a new society, that is, a civil war."

"I would not say our efforts came to naught," he said. "I am not able to judge that. Just let the Afghans decide their fate. If it is a socialist system, fine; if not, fine."

Captain Sokolov remained convinced of the Soviet Union's good intentions in going into Afghanistan to help the Kabul government. But Mr. Burkov added: "Our government did not want what ended up happening. Namely, that it would go on for eight years."

The veterans rejected comparisons with Vietnam, first because of their view that the war in Afghanistan was well-intentioned, secondly because they said their soldiers were well-behaved and third because, unlike in the United States,

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Bush and

AMERICAN TOPICS

Big Studios Survive Hollywood's Changes

Short Takes

Sweeping A Is Approved

By Irvin Molotsky

WASHINGTON — The Senate passed a sweeping bill that would reverse the impact of a 1984 Supreme Court decision that severely limited the reach of federal laws against discrimination.

Proponents called the bill, which would amend the Civil Rights Act of 1964, a "sweeping" program to reverse such laws. It would also amend the law to allow federal aid to be used to pay for the education of handicapped children in private schools.

The Supreme Court ruling in 1984, known as *Perry vs. Littlewood*, held that the federal government could not pay for the education of handicapped children in private schools. The new bill would allow federal aid to be used to pay for the education of handicapped children in private schools.

The bill also would amend the law to allow federal aid to be used to pay for the education of handicapped children in private schools.

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Bush and the Iran-Contra Affair: Documents Conflict With His Version of Events



Vice President George Bush pausing for a drink of water before answering a question during a forum in Pierre, South Dakota.

By Joel Brinkley
New York Times Service

WASHINGTON — If Vice President George Bush benefited from his televised confrontation with the CBS anchorman Dan Rather on Monday night, he also paid a price.

The live interview intensified the debate over Mr. Bush's role in the Iran-contra affair, a role that remains an issue he cannot seem to put to rest 15 months after the scandal erupted.

Mr. Bush said repeatedly that "all the questions have been answered" and two weeks ago his spokesman said that, as far as the Bush presidential campaign was concerned, the issue was "essentially closed."

On Thursday, however, Representative Lee H. Hamilton, Democrat of Indiana, who was chairman of the House Iran-contra committee, said that the vice president's position throughout the period when the Reagan administration was selling weapons to Iran "remains unclear" and that "as long as it is unclear, it will continue to be an issue."

Here are some of the major questions concerning Mr. Bush's role, and summaries of what is known.

return for which four hostages would be released." Last year Mr. McFarlane testified before the congressional committees that Mr. Bush had been at the meeting, but Mr. Bush's aides have said they do not think he was there.

Mr. Bush did attend the president's daily national security briefings, and through 1986 the Iran program was discussed at most of these. But Mr. Bush says the discussions were usually cursory.

Mr. Bush missed a key meeting, at which the program was debated in detail, on Dec. 7, 1985, when he was at the Army-Navy football game. But Rear Admiral John M. Poindexter, a former national security adviser, testified before the congressional committees that he "probably" briefed Mr. Bush when the vice president returned.

Mr. Bush was at a meeting on Jan. 6, 1986, at which Admiral Poindexter presented a new intelligence order, a "finding," authorizing the arms sales. And the records indicate that the vice president also attended a meeting the next day at which Secretary of State George P. Shultz forcefully argued against the arms sales. In congressional testimony last summer, Mr. Shultz said that "it was clear to me by the time we went out that the president, the vice president" and others supported the operation while he and Defense Secretary Caspar W. Weinberger opposed it.

Mr. Bush says he knew nothing about it, though at least one person in his office, Donald P. Gregg, the vice president's national security adviser, did.

But a memo from the vice president's office setting an agenda for a future meeting, which was held May 1, 1986, and involved Mr. Bush and Felix Rodriguez, said the two were to discuss "resupply of the Contras."

Mr. Rodriguez worked in El Salvador at the time, both on the contra resupply program and as an adviser to the Salvadoran government. Mr. Rodriguez, Mr. Bush and the vice president's aides say they discussed only El Salvador.

Colonel Samuel J. Watson, an aide to Mr. Bush, says the memo was typed incorrectly. But the secretary who typed it said Colonel Watson gave her the information.

In October 1986, when one of the contra supply planes was shot down in Nicaragua, Mr. Rodriguez called Colonel Watson to tell him. The colonel was one of the first government officials to learn of the crash.

At first Mr. Bush's office denied getting the call but later acknowledged that it had been received.

Still, Mr. Bush has said "I knew nothing of the shipments by the so-called private network of arms to the Contras."

Mr. Bush says he has for the president in a private matter, refuses to say what specific advice he gave in this case, and Mr. Reagan supports him in that refusal. But Mr. Bush has said repeatedly that he did express "certain reservations" about "certain

Why does the issue continue to dog Mr. Bush?

In a number of areas, the documents of the Iran-contra affair conflict with Mr. Bush's recollection of events.

Mr. Bush says he has provided answers to all the questions, but it is clear that his political opponents and some others have not found all his explanations satisfactory.

All this is particularly bothersome for Mr. Bush's presidential campaign because he is running for office on his assertion that he has served as an effective leader at the highest levels of government and has been a major figure in the Reagan administration.

What is the major area of controversy?

The largest area of ambiguity centers on when the vice president realized that the United States was involved in exchanging American arms for the release of hostages being held in Lebanon by Islamic fundamentalists sympathetic to Iran.

Though he attended numerous meetings where the sales were discussed, Mr. Bush, a former director of the Central Intelligence Agency who was no stranger to covert operations, asserts that he did not realize that the deal was arms for hostages until late December 1986. That was almost two months after the affair had spilled into the press and a year and a half after the program had been conceived.

Of Mr. Bush's insistence that he did not know earlier of the arms-for-hostages nature of the deal, Mr.

Hamilton said in a television interview Thursday, "The evidence is just the opposite."

Was Mr. Bush kept informed about the Iran arms sales as they were under way?

Mr. Bush acknowledges that he knew the United States was selling arms to Iran and that he supported the plan, which was presented initially as a way of reaching out to Iranian moderates, almost from the moment the program was conceived in the summer of 1985. But he appears to have changed his position on whether his knowledge was scant or detailed.

When did the vice president realize the arms sales were actually part of an exchange of missiles and other weapons in return for the release of American hostages?

On this question, the record includes several conflicts. On some occasions, records show, the vice president attested important meetings where the program was

discussed in just those terms. Mr. Bush or his aides say they do not think he was there, but even the meetings Mr. Bush has acknowledged he attended could have given him a great deal of information, enough to prompt Mr. Hamilton to say that the evidence does not support Mr. Bush's assertion that he did not know. "I wish with clairvoyant hindsight that I had known we were trading arms for hostages," Mr. Bush said last spring.

A White House log says Mr. Bush attended one of the first meetings, on Aug. 6, 1985. At that meeting, according to the congressional report on the Iran-contra affair, Robert C. McFarlane, then the president's national security adviser, "reported that the Iranians wanted a dialogue with the United States and 100 TOW missiles, in

them to continue the inquiry, saying the committee "may be a front organization for the CISPES."

The documents also show several instances in which FBI agents copied license-plate numbers of individual protesters attending public rallies. The Houston office went further, distributing 104 photographs of participants in a 1985 march by the Texas April Mobilization for Peace, Justice and Jobs.

The heaviest barrage of apparently unsupported assertions came from the Pittsburgh office.

Freedom of Information Act by the New York-based Center for Constitutional Rights.

Several FBI offices found no evidence of criminal activity but evidently were encouraged by Mr. Webster's office.

FBI officials in Phoenix reported in 1983 that they had looked into the Tucson Committee for Human Rights in Latin America, a nonviolent organization, and concluded that "it does not appear that further investigation is warranted."

But Mr. Webster's office ordered

"The CISPES leadership covertly furnishes funds and materials to the guerrillas in El Salvador, assists in the maintenance of camps in the U.S. for the rehabilitation and indoctrination of Salvadoran guerrillas either to be returned to the fighting in El Salvador or to remain in the U.S. to establish guerrilla cells." Pittsburgh reported in 1984.

Hugh Byrne, CISPES political director in Washington, called the allegations about training guerrillas "ludicrous" and "nonsense."

AMERICAN TOPICS

Big Studios Survive
Hollywood's Changes

Hollywood changes all the time, but the major studios survive, notes Aljean Harnett in *The New York Times*. "Like chameleons, they adapt to each decade — changing ownership, shedding their sound stages, producing television series for the networks and building video-cassette companies.

"The studios of the '30s are very different from those mythological creatures that controlled popular culture 50 years ago. But they still carry the same names — Metro-Goldwyn-Mayer, United Artists, 20th-Century-Fox, Paramount, Warner Bros., Columbia and Universal." And they still control most of what goes on in the film industry.

All the big studios are conglomerates, or are owned by conglomerates. Paramount is part of Gulf & Western Inc.'s "Entertainment Group" along with Madison Square Garden, the New York Knicks basketball team and 894 film theaters. And 20th-Century-Fox, controlled by Rupert Murdoch, the press magnate, has started a television network, MCA, the parent company of Universal, holds 50 percent of the huge Cinesplex Odeon theater chain.

Warner Communications shares ownership of the MTV and Nickelodeon cable television channels. It is buying a 50 percent interest in 454 of Paramount's theaters. Amusement parks being Disney most of its revenue. Columbia Pictures Entertainment, controlled by Coca-Cola, also comprises Loew's Theaters.

Short Takes

When St. Brian Wilson, protesting weapons shipments to Central America, sat on railroad tracks leading to a naval armaments station near San Francisco on Sept. 1, a train ran over him, severing both legs below the knee. He is learning to use artificial legs and has filed a

AMISH MEMORITES IN PENNSYLVANIA

When a customer ordered \$50 worth of Illinois state lottery tickets for the Saturday to come, Sue Zera, who tends bar in Ollie's tavern in Columbus, hit the wrong button, dispensing tickets for the Wednesday drawing instead. The customer would not take them, so she had to pay for them herself. She managed to sell some to friends, but was still stuck with \$30 worth. One of those tickets won the \$10 million jackpot. After state and federal taxes are deducted, Mrs. Zera, 47, will get \$37,500 a year for 20 years.

"One granddaughter will get the braces she needs," she said. "And the other one — well, both of them can go college if they want to." Mrs. Zera said she intends to do some traveling.

Arthur Higbee

Warrior Communications

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Wreckage of Mauritius

The vote in the Senate to apply federal laws against discrimination to the entire institution rather than just the part of parts receiving federal aid was 75 to 14. The 14 votes against the bill were cast by Republicans.

The bill now goes to the House, which is expected to approve it by at least as-lopsided a vote.

However, a White House spokesman, Leslye Arsh, said: "We oppose the bill in its current form. There's a veto signal out there."

Senator John C. Danforth, Republican of Missouri, said he expected that an abortion amendment he sponsored, which won approval earlier in the day, would encourage President Ronald Reagan to sign the bill. The amendment states that colleges, universities or hospitals would not risk losing federal funds if they declined to provide abortions or abortion-related services to women.

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FBI Papers Show Agents' Zest for Political Role

By Howard Kurtz
Washington Post Service

NEW YORK — In August 1984, the head of the FBI's Denver office sent a puzzled message to the Washington headquarters, saying that he was not sure how far his agents could go in investigating a group opposed to U.S. policy in Central America.

"In spite of attempts by the bureau to clarify guidelines and goals for this investigation, the field is still not sure of how much seemingly legitimate political activity can be monitored," the message said.

A detailed reading of more than 1,200 pages of Federal Bureau of Investigation files made public this week suggests that many of the field offices took an exceedingly broad view of their right to investigate dissidents.

During a five-year investigation of the Committee in Solidarity with the People of El Salvador, or CISPES, FBI agents investigated news, union members and college students; checked up on church functions and Knights of Columbus dinners; photographed protesters at peaceful rallies; and distributed what they deemed offending articles from student newspapers and People magazine.

Despite many deletions, the voluminous files indicate that the FBI devoted many thousands of hours to surveillance and undercover work, much aimed at church-related activities and college campuses.

The Pittsburgh field office, which unsuccessfully sought to

plant an undercover agent in the local CISPES chapter, gravely informed the FBI director at the time, William H. Webster, that the group's adherents included "at least one female high school student."

Much of the cable traffic between Washington and the field offices had a decidedly political tone, with FBI agents monitoring protesters in 1983 at a Denver speech by Edwin Meese 3d, at the time a White House counselor, and investigating CISPES plans to demonstrate at the 1984 Republican National Convention.

Mr. Meese, now attorney general, said Thursday that he would determine whether action was necessary after he receives a report on the surveillance from the FBI's current director, William S. Sessions.

FBI officials declined to answer specific questions about the CISPES probe but said that they followed internal guidelines governing domestic security and counterterrorism investigations. No CISPES member has been charged with a crime.

Mr. Webster, now director of the Central Intelligence Agency, could not be reached for comment.

The FBI also was accused of intimidation during Mr. Webster's tenure for attempting to question more than 100 Americans returning from visits to Nicaragua. Many had expressed opposition to U.S. policies there.

The documents on the CISPES investigation from 1981 through 1985 were obtained through the

Freedom of Information Act by the New York-based Center for Constitutional Rights.

Several FBI offices found no evidence of criminal activity but evidently were encouraged by Mr. Webster's office.

FBI officials in Phoenix reported in 1983 that they had looked into the Tucson Committee for Human Rights in Latin America, a nonviolent organization, and concluded that "it does not appear that further investigation is warranted."

But Mr. Webster's office ordered

them to continue the inquiry, saying the committee "may be a front organization for the CISPES."

The documents also show several instances in which FBI agents copied license-plate numbers of individual protesters attending public rallies. The Houston office went further, distributing 104 photographs of participants in a 1985 march by the Texas April Mobilization for Peace, Justice and Jobs.

The heaviest barrage of apparently unsupported assertions came from the Pittsburgh office.

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5TH PRIZE 3 OUT OF 3	965,112	\$10.00
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Sweeping Anti-Bias Bill Is Approved by Senate

By Irvin Molotsky
New York Times Service

WASHINGTON — The Senate has passed a civil rights bill that would reverse the impact of a 1984 Supreme Court decision that significantly limited the reach of federal laws against discrimination.

Proponents called the bill, which passed Thursday night, one of the most significant pieces of civil rights legislation to come before Congress in many years.

The Supreme Court ruling, in a case brought by Grove City College in Pennsylvania, held that the federal law banning sex discrimination in colleges and universities that receive federal aid applied only to the specific program receiving such aid, not to the entire institution.

Thus, if a college discriminated against women in a program that did not receive federal aid, it could not face the loss of federal assistance in other programs.

democracy was necessary to achieve peace in Central America, Vatican officials said.

Mr. Ortega described his 30-minute private conversation with the Pope as "constructive and frank." The papal audience, he said, was part of an effort to bolster the Central American peace process and generate opposition to the Reagan administration's policy of aiding the Contras.

A statement on the meeting by Joaquín Navarro-Valls, the chief Vatican spokesman, said the Pope reaffirmed his support for the Latin American peace plan, "particularly the right of populations to live in a political regime based on the principles of true democracy."

John Paul, according to the statement, "expressed to President Ortega the hope and need that peace in the region is achieved, underlining the necessity that it is carried out through a faithful dialogue, with respect for the fundamental rights and freedoms of all."

A senior Vatican official who had discussed the meeting with the Pope said, "Ortega listened more than he talked."

It was the first time that the Pope had seen Mr. Ortega in almost five years. In that time, relations between the Vatican and the Sandinista government have been marked by tension and occasional hostility over the expulsion of priests from Nicaragua and other actions perceived by the church as restrictions on religious liberties.

Vatican officials said the meeting Friday did not indicate an improvement in those relations but was a sign of the Pope's interest in the peace process.

Pope Appeals to Ortega For 'Real Democracy'

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INTERNATIONAL Herald Tribune

What Is Bush Hiding?

As long as Vice President George Bush offers his experience in world affairs as a qualification for his presidential candidacy, the questions he refuses to answer about the Iran-contra affair will haunt him. Unless he says more, voters are left to judge him by the known record. It presents three possibilities, each disquieting—or worse.

Their Hands Outstretched

Seven times last summer the Senate majority leader, Robert Byrd, tried to break a three-month-long Republican filibuster against a bill to reform the squallid American system of congressional campaign finance.

Other Comment

Gulf: A Broader French Role
The present escort operations help only a fraction of the merchant ships in the Gulf. Iran's gunboats still attack ships from countries that do not send their own warships to protect them.

As the Contra Vote Nears

We should and can both support the Central American peace process and sustain the Nicaraguan resistance while the Sandinistas' promises are put to the test.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairman

OPINION The Challenge Now Is to Manage Success

By Charles Krauthammer

WASHINGTON — With fin-de-Reagan fatigue upon us and, according to this month's conventional wisdom, the decline of the American empire to follow, American successes are not a hot topic. They should be. Like it or not, the United States is facing a variety of foreign-policy successes around the world.

Another little-noticed success is the refueling of Kuwaiti ships in the Gulf. It set limits on Iranian action, greatly enhanced U.S. influence with the oil-rich Arab states, calmed Arab security fears in the face of the Iranian threat and secured a Kuwaiti lifeline to the Arabian Sea.

The Path to More Contra Aid Is a Modern 'March of Folly'

WASHINGTON — In "The March of Folly," the historian Barbara Tuchman notes a compulsion of leaders all through history to behave woodenly — to follow policies contrary to those indicated by good sense and enlightened self-interest.

sumably only contra aid can stop. In fact, it is quite the other way around. As President Daniel Ortega Saavedra made clear in a recent article (IHT, Jan. 15), there will be no augmentation of Nicaraguan forces if the plan authorized by President Oscar Arias Sanchez of Costa Rica works.

Moses Mayekiso: His Crime Was to Lead His People

By Herman Rebhan

GENEVA — On Monday, a trial reopens in Johannesburg after a long holiday break. It is that of Moses Mayekiso, a young man with the potential someday to lead that great but tragic country.

Alexandra Action Committee. It organized rent strikes, school boycotts and set up so-called People's Courts — unofficial tribunals to discipline the hoodlums and petty thieves who had been plaguing the township.

A Seven-Faced Man Who Knows the Mind of the French

By William Pfaff

PARIS — With an effect rather like that of the Zen master's one hand clapping, the French presidential campaign has launched with only one man running. Or only one of the principal candidates is running — Prime Minister Jacques Chirac.

useful to check the excesses of both left and right. With time, however, the disadvantages have become increasingly apparent. And in a little-remembered, but the same people who give overwhelming approval to Mr. Mitterrand say they also think him too old to run for a new seven-year presidential term. He is 71.



Drawing by LURIE

100, 75 AND 50 YEARS AGO

1888: Australia in 1988 LONDON — [The Spectator says:] There is every reasonable probability that in 1988 Australia will be a Federal Republic, peopled by 50 million English-speaking men. It is difficult to predict the future of this society; but we think that it will approximate much more closely to the Italian than the American type — that is, it will be democratic, but not hard. The Australians, with a more genial climate, without Puritan traditions, wealth among them, and with a habit of communion with Europe, will be softer, though not weaker people. As they cease to be British, Germans and Irish, the men of the new type which will be born, the distinctive "Australians" will be as distinguishable in England as the Americans. The Australians will be a stunner man.

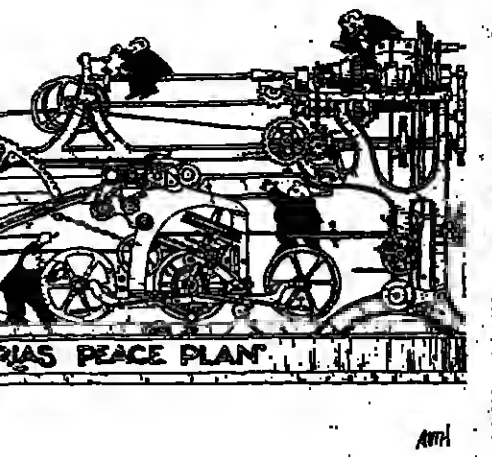
1913: We May Just Walk

NEW YORK — [The Herald says:] Automobilers, motorboat owners

In Carlucci, A Careful Navigator

By Jim Hoagland

PARIS — King Fahd of Saudi Arabia discovered this month what Washington has long known, a well-timed waffle is a Frank Carlucci specialty.



Gorbachev suggested that both sides support the Arias plan — the United States by ending aid to the contras, the Soviet Union by severely limiting any military shipments to Nicaragua.

Belgium: A New Chapter

By [Name]

BRUSSELS — The Belgian government has announced a new cabinet. The new government is expected to take office in the next few days.

During the new defense secretary's maiden voyage to the Gulf and Europe three weeks ago, the Saudi monarch pressed for an expanded U.S. commitment to protect commercial shipping using Saudi ports.

When an obviously agitated Fahd tried to squeeze a new commitment out of Mr. Carlucci to protect Saudi shipping, which is now outside the tacit truce that the United States and Iran seem to be observing in the Gulf.

1938: Irish Unity Vote

By [Name]

BELFAST — On Feb. 9 the voters of Northern Ireland will go to the polls to show what they think of Eamon de Valera's campaign for the abolition of partition and for the unification of the six counties of Ulster with the counties of Eire to form one Ireland.

1938: British Unity Vote

By [Name]

LONDON — The Church of England on Thursday approved a new canon that would allow a divorced man to be remarried in the church.

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Vertical text on the right edge of the page, including 'Belgium: A New Chapter' and '1938: British Unity Vote'.

Reagan Ends Duty-Free Rights of 4 Asia Nations

WASHINGTON — President Ronald Reagan, denying any punitive intent, revoked on Friday duty-free privileges enjoyed by Hong Kong, Singapore, South Korea and Taiwan.

Moving on the recommendation of a cabinet-level committee, Mr. Reagan ordered the four Asian economies removed from a list of 141 developing countries that receive preferential treatment for exports to the United States.

Trade preferences for the four nations will be removed in January 1989, affecting nearly \$10 billion in exports to the United States.

The action was the first time that any nation had been removed entirely from the system, although in the past individual products have lost their special status.

"This move should not be interpreted as penalizing any of the nations," said Martin Fiorer, the White House spokesman. "On the contrary, it reflects the great economic successes they have had. All four are good friends and valued trading partners."

However, he said the system of trade preferences is designed to help emerging economies, and when countries no longer need assistance, they should be removed.

The United States incurred a \$28.8 billion trade deficit with the four countries in the first 11 months of 1987, compared to a \$30.4 billion deficit for the same period with Western Europe, according to the Commerce Department.

Mr. Reagan's step, which followed a recommendation by the White House Economic Planning Council, was criticized by the Computer and Business Equipment Manufacturers Association.

"We are losing a valuable tool in negotiations on intellectual property rights," said an association official, Charlotte LeGates.

The industry group wants guarantees of greater protection of U.S. copyrights for computer programs and other high technology in the Asian nations, particularly in South Korea, where piracy has been a problem in the past.

Imports from the four countries have spiraled because of lower labor costs there, and because the U.S. dollar has not depreciated against their currencies as much as it has against the Japanese yen and European currencies, trade officials say.

A weaker dollar makes imports more expensive and U.S. goods cheaper abroad. Recent exchange rate changes have, for instance, driven up the cost of Japanese goods. However, imports from the other four Asian trading partners generally have not seen such price rises.

For more than a year, Reagan administration officials have pressed the four nations to change their currency and trade policies.

The system of trade preferences permits the specified nations to export certain products to the United States duty-free or at reduced rates. Under a bilateral 1904 extradition treaty, neither country is required to hand over one of its own citizens for extradition.

But an indictment could limit General Noriega's ability to travel to third countries that might extradite him to the United States. "It would make him a pariah," one State Department official said.

Senator Alfonse M. D'Amato predicted Friday that General Noriega would be indicted on drug-trafficking charges and accused of turning Panama into a huge criminal enterprise. Reuters reported from New York.

Mr. D'Amato, a New York Republican and a frequent critic of the general, said in a television interview that General Noriega "has organized the entire army, and country, into this giant criminal enterprise system."

"He has been a major, major factor in giving safe haven to drug



FRENCH-BRITISH SUMMIT MEETING — Prime Minister Margaret Thatcher of Britain and President François Mitterrand of France during a news conference Friday, ending a one-day summit meeting in London. Mrs. Thatcher also met separately with the French prime minister, Jacques Chirac. The leaders agreed to increased military cooperation and backed the U.S.-Soviet arms accord but failed to resolve differences over European Community spending.

Court Ruling Strains U.K.-Irish Ties

By Barry James
International Herald Tribune

British-Irish relations have been further strained as a result of the decision by a British appeals court to uphold the convictions of six Irishmen sentenced to life imprisonment for bombing two bars in Birmingham, England, in 1974.

"This has been a sad and disappointing week for Anglo-Irish relations," said Peter Barry, a former Irish foreign minister. Mr. Barry helped negotiate the 1985 British-Irish agreement that for the first time gave Ireland a consultative voice in the running of Northern Ireland.

The verdict Thursday followed an announcement earlier in the week by the British attorney general, Sir Patrick Mayhew, that he would not prosecute Northern Ireland police officers alleged to have carried out a "shoot to kill" policy after six republican sympathizers in a Dublin ambush and roadblock in Ulster.

In Dublin, Charles Haughey, the Irish prime minister, decried that decision.

"I would have thought that a decision to prosecute would be in the best interests of the Royal Ulster Constabulary," he told the Daily Ireland's parliament, "and that they would have welcomed action by the British authorities to uphold the principle that in a democracy society the use of lethal force by police must be the very last resort."

The three-judge appeals panel declared "safe and satisfactory" the 1974 convictions of the six Irishmen for the tavern bombings, in which 21 people were killed and 160 injured.

In commenting on the court's rejection of the appeal, an Irish government spokesman said the court had not removed Dublin's "shoot to kill" policy after six republican sympathizers in a Dublin ambush and roadblock in Ulster.

Gerry Collins, the Irish minister of justice said: "I am amazed and very saddened at the rejection of the appeal. A very wide volume of opinion believes these people are innocent."

The defendants, who have always maintained their innocence, claimed that their confessions had been beaten out of them by the police. They also questioned forensic evidence that suggested they had handled explosives.

"These men are innocent," said Edward Daly, the Roman Catholic bishop of Down in Northern Ireland. "I am heartbroken for their families."

Both the appeals court verdict and the decision not to prosecute the Ulster policemen are likely to be raised at a meeting of the British-Irish conference, established by the 1985 accord, in Northern Ireland next week.

Israel's Other War: With Foreign Media

By Glenn Frankel
Washington Post Service

RAMALLAH, Israeli-occupied West Bank — The television crews seemed to outnumber the soldiers on the winding, foggy streets of this market town Friday morning.

The soldiers moved from shop to shop ordering reluctant Arab merchants to open or pry open padlocks and metal shutters with crowbars and sledgehammers.

Each patrol was followed by a camera crew, faithfully recording the harsh clang of hammers on metal, the grim determination on the faces of the young troops and the resigned, bitter expressions of the shopkeepers.

At one point a young officer, bemused by the video camera lurking constantly over his shoulder, took out his own camera and snapped shots of the television crew taking pictures of him.

There are now between 600 and 700 foreign reporters, cameramen, soundmen, photographers, editors and television producers covering the seven-week wave of unrest in the occupied West Bank and Gaza Strip, according to the Israeli Government Press Office. That includes 250 to 300 journalists who are permanently based in Israel and another 350 to 400 who have been temporarily accredited during the violence.

They are beginning to step on each other, and on the story.

Israeli officials call it "the other war" — the propaganda struggle that Israel and its Palestinian foes have been waging inside the larger military struggle for control of the occupied territories.

For several weeks, Israel has been treated to saturation coverage from the cameras and front-page treatment in the press.

Officials, who are at times hard-pressed to justify some of the scenes the cameras capture, profess to see a degree of anti-Israeli bias, even anti-Semitism, in the invasion of media men and machines.

"Why don't you cover riots in Bangladesh or the displacement of the slums of Rio de Janeiro the way you cover the refugee camps here?" an army spokesman named Danny asked reporters.

"The Israeli feeling that the world is against them is being fed by the enormity of the coverage," said Harry Wall, director of the local office of the Anti-Defamation League of B'nai B'rith.

The cameras have been on the scene since the beginning.

At first the Israelis didn't respond well to all the media attention," Mr. Wall said. "They weren't just shooting Palestinians, they were shooting themselves in the foot as well."

"At the same time, a lot of reporters who come in here for a few weeks don't understand the situation and don't realize that Gaza isn't Berkeley in the 1960s. They're throwing stones out there, not making peace signs. Some of the reporting has been exaggerated and extremely unwise."

For two weeks the army declared large portions of the Gaza Strip off-limits to reporters and cameras even while government officials contended that the press was free to cover the story. The rationale was that cameras often incite to violence demonstrators who want their anger and their desperation conveyed to Americans on the evening news.

Lately, however, as the unrest has begun to recede, the army has tried in another press with kindness. A new information center has been opened in Jerusalem, operated 16 hours a day by military spokesmen to provide daily updates.

The center is working to give the military a human face, offering trips into the field with Israeli soldiers and interviews with some of the army's articulate and motivated officers.

But problems still arise. Defense Minister Yitzhak Rabin announced a policy 10 days ago of "force, power and beatings" and Palestinians and United Nations officials alleged that hundreds of broken bones and other injuries ensued.

Some officials blamed the press, saying reports had misinterpreted Mr. Rabin's headlines statements — he had intended that only alleged rioters be hit during violent incidents, they said — and had exaggerated the number of beatings that followed.

Two camera crews were themselves roughed up by soldiers while attempting to film assaults on civilians in Ramallah and Gaza City.

The army apologized after both incidents, but a former government information director, Zeev Chafets, author of a book critical of media coverage of Israel, warned the army against sanctioning a "policy of terror" against the press similar to that he said had been conducted by Syria and the Palestine Liberation Organization.

building and work permits — as diplomatic moves to open negotiations gathered pace.

In several parts of the West Bank and in Gaza City, minor incidents flared after noon prayers with youths blocking roads and throwing stones at soldiers, who responded by firing tear gas.

In Jerusalem, near the Mosque of Omar, some men, hidden by trees, hurled a flag they had drawn on a piece of paper, police said. They said it was not possible to say which national emblem was involved.

An army commander said on Israel Radio that several of his men had been imprisoned for 28 days for excessive beatings and were being held in the same Gaza prison as Palestinian rioters.

Israeli troops opening fire on rioters armed with stones, a lone plainclothes security agent spraying machine gun rounds into a fleeing crowd and soldiers tying an Arab man to their jeep to serve as a human shield. All this belted through Western television screens and to focus world attention on the predicament of the Palestinians and their Israeli rulers.

The Israeli government was not pleased when television broadcast scenes of Jerusalem police hurling tear-gas canisters into a mosque on the Temple Mount in Jerusalem two weeks ago side by side with a blanket denial from cabinet ministers that such an action had taken place.

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The cameras have been on the scene since the beginning.

Shultz Urges New Tactics in Mideast

By David B. Ottaway
Washington Post Service

WASHINGTON — Secretary of State George P. Shultz called Friday for "a new breed of approach" to get the deadlocked Middle East peace process moving amid indications that the visit to Washington by President Hosni Mubarak of Egypt failed to arrive at any agreement on a new initiative.

At a luncheon for Mr. Mubarak at the State Department, Mr. Shultz said, "I believe we have come to the point where illusory hopes of the past and old approaches to resolve the problems need to be tested against the new realities."

Neither side indicated what these "new ideas" were. But in an interview Thursday with The Associated Press, Prime Minister Yitzhak Shamir of Israel said the talks in Washington had concentrated "on the question of substance, not of procedure" and were aimed mainly at finding an interim solution allowing for local autonomy of the Israeli-occupied West Bank and Gaza Strip.

Mr. Shultz, in a veiled reference to continuing U.S. doubts about this approach, warned that good plans would remain useless "if they do not find an expression in action."

Mr. Mubarak said he had listened "carefully and attentively" to the "new ideas" proposed by the administration.

Such a solution, he said, would be "more or less" along the lines spelled out in the 1978 Camp David accords signed by Israel, Egypt and the United States but never implemented. Mr. Shamir said he was willing to discuss possible changes in those accords.

But Mr. Mubarak told congressional delegations he met Thursday that he thought the Camp David provisions for local autonomy were now "a dead letter" and "an idea whose time has past," according to one congressional source.

Woman Gets Anglican Post

AGENCE FRANCE PRESSE

LONDON — The Church of England on Thursday appointed its first woman dean, to oversee eight rural parishes in southeast England. The Reverend Judith Rose, 50, a former deaconess, was ordained last year following the Anglican synod's decision to allow women to enter the priesthood.

8: Irish Unity Vote

FAST — On Feb. 9 the people of Ireland will go to the polls to vote on whether they wish to remain a unitary state or to be divided into 26 counties by the Anglo-Irish Agreement.

PANAMA: Indictment Possible

(Continued from Page 1)

authorities in the hope of reducing the time he must serve.

Mr. D'Amato described an extensive network involving General Noriega, his top associates in Panama's military and customs services, and transportation and banking officials in Panama.

U.S. Customs officials who testified at the hearing said that financial records from Mr. Kalish's office in Panama bolstered his accusations.

There would be no immediate practical effects if General Noriega were indicted. Under a bilateral 1904 extradition treaty, neither country is required to hand over one of its own citizens for extradition.

But an indictment could limit General Noriega's ability to travel to third countries that might extradite him to the United States. "It would make him a pariah," one State Department official said.

Senator Alfonse M. D'Amato predicted Friday that General Noriega would be indicted on drug-trafficking charges and accused of turning Panama into a huge criminal enterprise. Reuters reported from New York.

Mr. D'Amato, a New York Republican and a frequent critic of the general, said in a television interview that General Noriega "has organized the entire army, and country, into this giant criminal enterprise system."

"He has been a major, major factor in giving safe haven to drug

BELGIUM: Nation at Home in the Middle of Things

(Continued from Page 1)

plurality, a middle-of-the-road attitude that justifies Belgium's claim to be the Crossroads of Europe. On the other hand, middle-classness suggests a certain anonymity, a lack of image. "In statistical surveys we are always in the middle, the forgotten land," one marketing man says.

"When we were nine in the Common Market we were always between the top four and the bottom four. When we became 11 it was no better."

Belgium's lack of a sense of national identity makes the country not only hard to sell abroad but, worse, extremely difficult to sell at home. The Belgian's allegiance, Belgians say, are to his household and community, not to his country.

"The Belgians have always regarded the state as an invader, even

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BULGARIA: Reform Troubles

(Continued from Page 1)

process has been Mr. Zhivkov, a folksy-mannered and astute politician who, though comparable politically to other elderly, entrenched Communist rulers in Eastern Europe, has leaned toward embracing reform rather than resisting Mr. Gorbachev's policies.

Mr. Zhivkov, who recently bragged that he had "the heart of a 45-year-old," appears determined not to be propelled toward the retirement accepted last month by Gustav Husak of Czechoslovakia, another Brezhnev favorite.

Instead, the Bulgarian chief evidently plans to supervise the introduction of the limited market framework for the economy and decentralization of political administration favored by Mr. Gorbachev with careful attention to the evolution of reform in Moscow.

Overall, the Bulgarian reforms fall short of those in the Soviet Union. While Mr. Zhivkov has copied a little haphazardly — key economic initiatives from the Soviets and from Hungary, glasnost, or greater openness and debate in the media, culture and public life, has appeared only in isolated instances.

As for other veteran East Europeans, glasnost opens special threats to Mr. Zhivkov. Discussion of the past would inevitably mean a discussion of the failures of his long rule. Moreover, openness in Bulgaria would invite claims by the country's one-million strong ethnic Turkish minority, which was subjected to a bloody assimilation campaign three years ago and now, in classic Stalinist fashion, is officially nonexistent.

Despite the continuing political hand line, sympathetic Western diplomats say some real change has taken place in economic activity. In the past many state companies have formed "self-management" bodies and held elections for managers, and many have been allowed to conduct their own business deals and foreign trade instead of going through a central bureaucracy.

Mr. Zhivkov's zeal for shaking up the government and party apparatus has caused further troubles. Mr. Zhivkov admitted that "thousands" of resentful or uncertain officials had failed to take up the new posts assigned to them.

Outlining the reforms at a party plenum in July, Mr. Zhivkov accused the apparatus of "uncontrollable omnipotence" and said that in the future the party would have to act "only as a political party" and not as dictator to the government.

In his report this week, however, Mr. Zhivkov stressed repeatedly that party control would not be eased.

"Regardless of whether production, day-to-day relations, the mass media or anything else is meant," he said, "We should not and cannot retreat from the class and party approach, from the requirements of our Marxist-Leninist methodology."

MEESE: Payoff Memo Reported

(Continued from Page 1)

promoting peace in the Middle East.

Officials familiar with the independent counsel's investigation, stressing extreme sensitivity surrounding the memorandum within the independent counsel's office and throughout the U.S. government, expressed fear that public disclosure of the reported plan could "bollix up the investigation," as one put it, by allowing participants to try jointly to construct a legal explanation for their actions.

Although there is apparently no evidence that the attorney general was directly involved in the scheme, several officials in the Justice Department and other government agencies said the report of his inaction over the memo — if true — could force Mr. Meese to resign.

The Iraqi pipeline was to run close to the Israeli border, carrying oil to the Red Sea port of Aqaba, Jordan. Mr. Wallach and others involved in the project are said to have sought the payment as a way to defuse Israeli opposition to the pipeline, such as a military attack on it.

Some sources said that Shimon Peres, who was Israel's prime minister in 1985 and is now the foreign minister, was the official singled out for the bribe attempt.

In the pipeline venture, many companies and individuals stood to gain by securing an Israeli pledge not to sabotage the project during the four or five years of operation needed to recover its cost. They include Bechtel and any of its U.S. competitors for rights to build the project.

Another potential beneficiary was Mr. Rappaport, who agreed with Bechtel in 1985 to become a partner in the project. Mr. Rappaport was to line up financing and security guarantees for the pipeline, and his oil company was to sell the crude petroleum that would flow through the line.

Mr. Rappaport brought Mr. Wallach into the deal as an intermediary in his dealings with Bechtel, a Bechtel official told The New York Times last year.

Reached in Geneva, Mr. Rappaport denied all knowledge of the purported scheme to pay off an Israeli official.

"There was no such plan at all," he said.

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ARTS / LEISURE

Paying the Earth for Lalique's Glass 'Objets'

International Herald Tribune PARIS — The cult of relics is hitting the art market. The moment a link is perceived between a well-known name and objets d'art, even glass bangles of no great age or distinction, their fortunes at auction seem assured.

The sale of glass from the René Lalique factory conducted Monday at the Hôtel Drouot offers the most extreme case I have witnessed. The auctioneer Hubert Le Blanc and the expert Félix Marcilhac, who wrote the catalogue, had one modest trump in their hand. The countless powder boxes, scent bottles, seals, brooches and sundry items came from the estate of a man called Hector Favrat, a glassmaker who worked closely with Lalique to translate into glass Lalique's designs jotted down on paper.

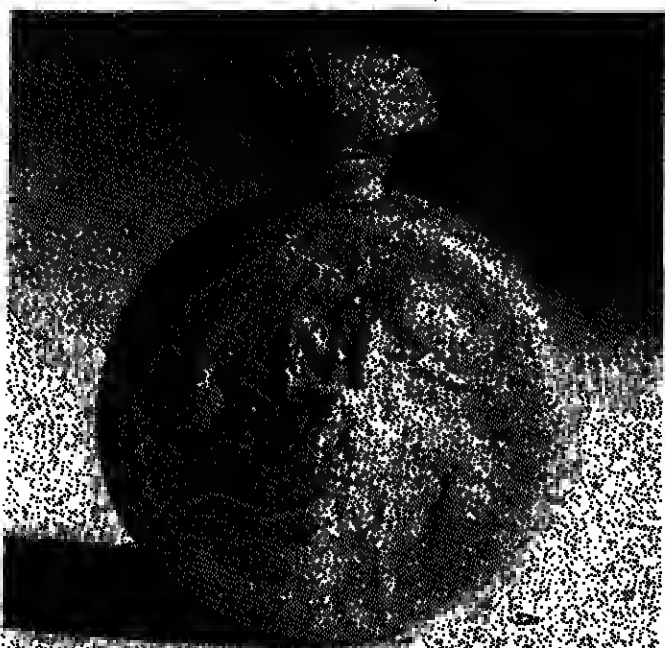
Nothing is known about the process that went on between the two. It can only be surmised from some of the unfinished pieces among the 362 lots offered Monday. These were not exactly a "collection," as the catalogue states, but an unpretentious accumulation made haphazardly by a craftsman who kept pieces that meant something to him — trial pieces, rejects, even stock-in-trade pieces that must have been lying around in dark corners.

The sale catalogue, which will remain invaluable to art historians as a record of Favrat's activity, is the work of an expert who, by now, knows more about Lalique than anyone else. Marcilhac has been working for years on a catalogue raisonné which includes 3,000 en-

SOUREN MELIKIAN

tries and is due to appear in the fall. Unfortunately his entries, which seldom exceed 20 words, state type, medium and color, mention signatures, say if the piece was serialized, and skip these except for references to page and plate numbers of his future catalogue. Dates, more interesting to the layman, shine by their absence.

If there is more than a Gallic touch of highhandedness to the outsider, Marcilhac, who has been on the job for 25 years and knows every curator, dealer or collector worth his salt from the United States to Japan, made sure his catalogue reached just about everybody who mattered to him. Laurent Tarkatsky, the owner of Crystal Galleries, came from Denver. A collector and specialist in scent bottles from Palm Desert, California, sat next to him. Bernard Danenberg, a New Yorker with a boutique at the Lou-



"Rosaces Figurines," a vase which went for 112,648 francs.

vre des Antiquaires in Paris, was there too, buying for a Japanese client. The result was spectacular. From the moment Le Blanc opened the proceedings, it was clear that the sale would go with a bang. The first piece, a blue glass box seven centimeters (2.75 inches) in diameter was acquired by Danenberg for 5,413 francs (about \$950), twice the estimate. Danenberg says the type of box, called "coquilles" (shells) by Lalique, is common in transparent glass, but blue is an outstanding rarity.

Lot 3, a square box with the image of a cat, went up to 7,060 francs, four times the estimate, to Danenberg again. This time, he says, the model is rare and his Japanese client did not have one. Eventually he bought nearly 40 percent in value of the 2.5-million-franc

sale. With the arrival of lot 28, a trial piece for the base of a bonbonnière, called "cyprien," temperature had reached boiling point. The blue base, molded with swirling fishes (a cyprien is a type of carp), multiplied Marcilhac's estimate 18 times as it soared to 26,709 francs. This unexpected figure reflects a new museological approach to Lalique's work — the piece is interesting for its documentary value as an intermediate stage in artistic creation.

There were some other striking cases. With an ivory cylinder four centimeters high carved in high relief with feminine and masculine figures, few were prepared for a sensation. Marcilhac's 2,000-franc estimate hardly suggested one, nor did the grotesque small illustration in the catalogue, so tiny that

the detail cannot be seen. Danenberg got the ivory — for 77,080 francs — presumably because this is a unique trial piece, done, if the catalogue is to be trusted, as a "study for a ring," but the cylinder was too narrow to allow a child's finger through. Common sense tells you that the high relief figures would have broken the minute they were rapped on a hard surface.

But common sense may not have been Lalique's most distinctive feature, as was shown by some bracelets from his Art Deco phase. Lalique, who never forgot his early days as a jewelry designer, tried to imitate in glass the visual effect of gems and precious metals. This inspired the yellow glass bracelet with angular projecting elements suggestive of a cog, hence its name "engrenage" (gearing). Danenberg, who got this for 23,312 francs, says it was meant to look like transparent gold. It certainly has the exaggerated faceting fashionable in gold jewelry at that time. The trouble is that when made of glass these facets have a nasty tendency to break with potentially dire consequences. According to Marcilhac, only four specimens were produced. The planned series was ditched to avoid further lethal cuts to delicate wrists.

A determined man, Lalique tried again and again. The sale included a thick red glass bracelet with small notches that give it the appearance of a miniature truck tire. The unfinished trial piece, 10 centimeters across, was an obvious non-starter. Favrat, the man who had to translate Lalique's ideas into plausible pieces, must have kept the reject as a souvenir of art in the making. On Monday the miniature glass tire climbed to an amazing 28,974 francs in the name of modernistic research in the decorative arts. Done around 1928, it is a watered-down reflection of Léger's earlier graphic work from the période mécanique.

hard to detect a direct link between aesthetics and prices in Monday's sale. Lalique had no compunction about trying his hand at every possible style. He was a designer anxious to satisfy his clients — which included such haute couture figures as Jeanne Lanvin. He executed a transparent glass seal with the Lanvin logo, which is shaped as a woman and child standing on a circular base stylized in the standard early Art Deco manner. That sold for 68,187 francs. When commissioned to do a scent bottle for Roger et Gallet, he promptly imitated Chinese snuff bottles — stylized parrots, jade color and all, calling it for good measure "Le Jade." The master model, identified by a handwritten label, "zoomed" to 25,011 francs, six times Marcilhac's estimate.

Another scent bottle, done for the d'Orsay firm, equally derivative in an entirely different vein, did better still. The glass shape is based on some Japanese stoneware vessel of the chaire type, while the two nude women coyly holding the twigs of a blossoming tree are stock-in-trade motifs of the late 1900s. "Four leurs âmes," as it is called, whizzed to 58,184 francs.

This brief record for a scent bottle by Lalique was beaten 15 minutes later by a bottle drawing its inspiration from a different repertoire. "Rosaces Figurines" is a vase of circular design with flat sides, a rectangular base and a low neck, which goes back to a Chinese porcelain model of the 18th century and, ultimately, to an early bronze prototype of the sixth century B.C. On the sides, four women are modeled in low relief with great skill in a manner reminiscent of the 19th-century sculptor Carpeaux and his school. Their heads meet in the center as their bent bodies swirl to form a swastika design picked up from the ancient world.



Perfume bottle "Pour leurs âmes," sold for 58,184 francs.

piece from the Favrat estate has a musty gold patination of which Marcilhac knows only one other instance, which he says also belonged to someone connected with the Lalique firm. These were essays that never came to be commercially produced. The musty scent bottle was the object of intense competition between Danenberg bidding for his Japanese client, and Tarkatsky of Denver battling for his American collector of Lalique. Colorado beat Japan at 112,648 francs.

For the French market, Monday's sale is a small triumph. Le Blanc, who conducted his auction in a very straightforward, unpretentious manner and is obviously eager to do the right thing, went down very well with his American attendance.

The lesson for the international market is interesting. There is plenty of money around. From Denver to Paris to Tokyo, for objects d'art of a modest order, when there have an impeccable provenance and are not hyped to death. Estimates were low and to waste the reserves. Buyers loved it and, feeling confident that they were not being kicked to pay more, were willing to pay the earth. The sale left three lots unsold, 0.4 percent in value. Whoever heard of a financial crisis?

Lloyd Webber's Opera Music Is Not So Phantastic

By Bernard Holland

New York Times Service NEW YORK — What is the music of Andrew Lloyd Webber's "Phantom of the Opera" worth? Some composers and performers for whom songfulness is serious business responded this week. Apparently, seeing is believing. Frederica von Stade, the heroine of the Metropolitan Opera's current run of "Pelléas et Mélisande," took her children to a preview and came away enthralled. Ned Rorem, the distinguished American composer celebrated especially for his vocal writing, has only heard the music via records. His disappointment is expressed in acid terms.



Lloyd Webber's "Phantom": "The charming vulgarity of 'Superstar' has become merely vulgarity."

William Bolcom's conciliatory look at Lloyd Webber has a detachment consistent perhaps with his own remarkably broad career. Bolcom is not only the composer of such ambitious pieces as "Songs of Innocence and of Experience" but, as pianist with his wife, the singer Joan Morris, is also a subtle purveyor of American popular music. Bolcom — in New York for a

There's a lot of Puccini in Lloyd Webber, too. "Memories" from "Cats" sounds very close to "Un bel di" from "Madama Butterfly."

Rorem, who wrote sympathetically about Lloyd Webber's "Jesus Christ Superstar" some years back, is not so pleased with "Phantom."

times were easy, and corn in itself is not unhealthy. Well, 17 years have passed and the chutzpah's turned into commerce, and the corn into smarm. The charming vulgarity of "Superstar" has become merely vulgarity.

have a life of its own? Bolcom reported having turned off the play's revised performance of the "Requiem" after 20 minutes of listening several years back, complaining of the unbearably saccharine quality.

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Boston Hosts First Round Of East-West Music Making By Alan R. Gold NEW YORK TIMES SERVICE BOSTON — Opening night of "Making Music Together," a three-week arts festival to be staged here by American and Soviet performers starting March 11, will feature the Soviet conductor Jansug Khachidze and the violinist Maxim Wengrov.

IMMONESBURY OF COURSE GEORGE KNOWS WHAT HE'S GOING ON! HE USED TO CALL ME UP AND BRAG ABOUT IT ALL THE TIME! HED SAY, "I JUST WANT TO MEET YOU! I WANT TO DISCUSS A REALLY NEAT SECRET PLAN THAT I MIGHT HAVE RESERVATIONS ABOUT LATER."

IN THIS REPORT Shaping the Future Brazil is searching for a new political direction. The country's political scene is in a state of flux. Debate on economic reforms is under way in Brasilia.

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IN THIS REPORT Shaping the Future Brazil is searching for a new political direction. The country's political scene is in a state of flux. Debate on economic reforms is under way in Brasilia.

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Brazil's Uncertain Path

A Nationalist Tone

Faltering Economy Seeks a New Model

By William A. Orme Jr.

SAO PAULO — Latin America's biggest industrial center displays few apparent signs of crisis. A 30-mile swath of skyline is broadening further with new office buildings and shopping centers. Fine ethnic restaurants are packed week nights. Highways are crowded with commuter traffic; the well-kept cars are virtually all locally manufactured, as is the molasses-redolent alcohol they burn.

Factories work overtime to fill overseas orders. The automotive industry, including Brazil's increasingly successful armored car manufacturers, talked a record \$2.8 billion in export sales last year. Citrus concentrate plants here supplied most of the world's exports of frozen orange juice.

Sao Paulo's Empresa Brasileira de Aeronáutica, cited often as one of the best-run state companies anywhere, sold scores of sleek passenger aircraft to Europe and North America.

The farm country ringing the manufacturing district is planted with the lucrative soybeans that have displaced coffee as Brazil's leading agricultural export.

"Sao Paulo is the engine that makes Brazil go," a foreign diplomat said.

But Brazil's engine has been sputtering lately. Greater Sao Paulo, with nearly half the country's installed industrial capacity, is suffering the same slowdown in private investment that has been plaguing most of the rest of Brazil for the past five years.

Underemployment is rising and real wages are falling, both for blue-collar factory workers and their college-educated supervisors. Sao Paulo wholesalers reported that staple-foods consumption dropped 25 percent in 1987's final quarter as compared with the same period a year earlier. Private school enrollment is declining, so are car sales.

"For the first time, the middle class is being hit hard," said Larry Willmore, a United Nations economist who has specialized in Brazil for the past five years. "The economy is now in

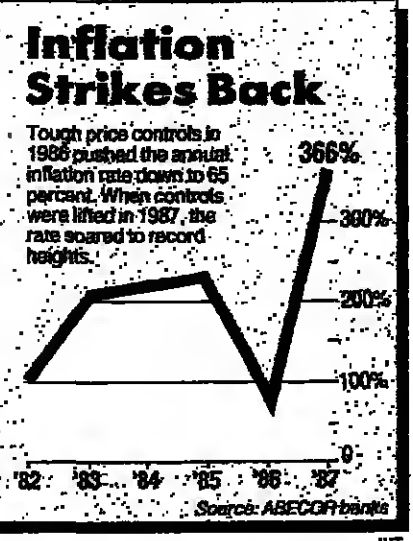
need to promote greater energy independence, meant that governments tended to keep a loose rein on state enterprises. Their deficits, sometimes hidden from public view, stoked the fire of inflation. To this day, inflation and its various causes are the single most important obstacle to sustained development, as it stifles savings and productive investment.

In the 1970s and early 1980s, wage indexation was the magic formula that concealed the problem, but in the end the scramble of each group to stay ahead showed that it was simply a modus vivendi that did not confront fundamental problems. Freezing prices turned out to be worse.

Independently of governments and the vanguard of professionals run matters that required technical competence. Another was that presidents were representative of the armed forces and should not be potential firebrands; indeed, most of the generals who succeeded one another regularly over 21 years were almost self-effacing.

The stability and continuity of the military regime and a favorable international environment gave Brazil a golden age of industrialization, especially up to the first oil crisis of 1973-1974. The need to import almost 80 percent of oil needs at that time forced Brazil to borrow abroad on a large scale or else abandon growth. The foreign banks obliged, although with considerable hesitation during the two oil crises.

The strain of keeping growth up despite the oil import constraint, and the huge investments



Source: ABCECIB banks

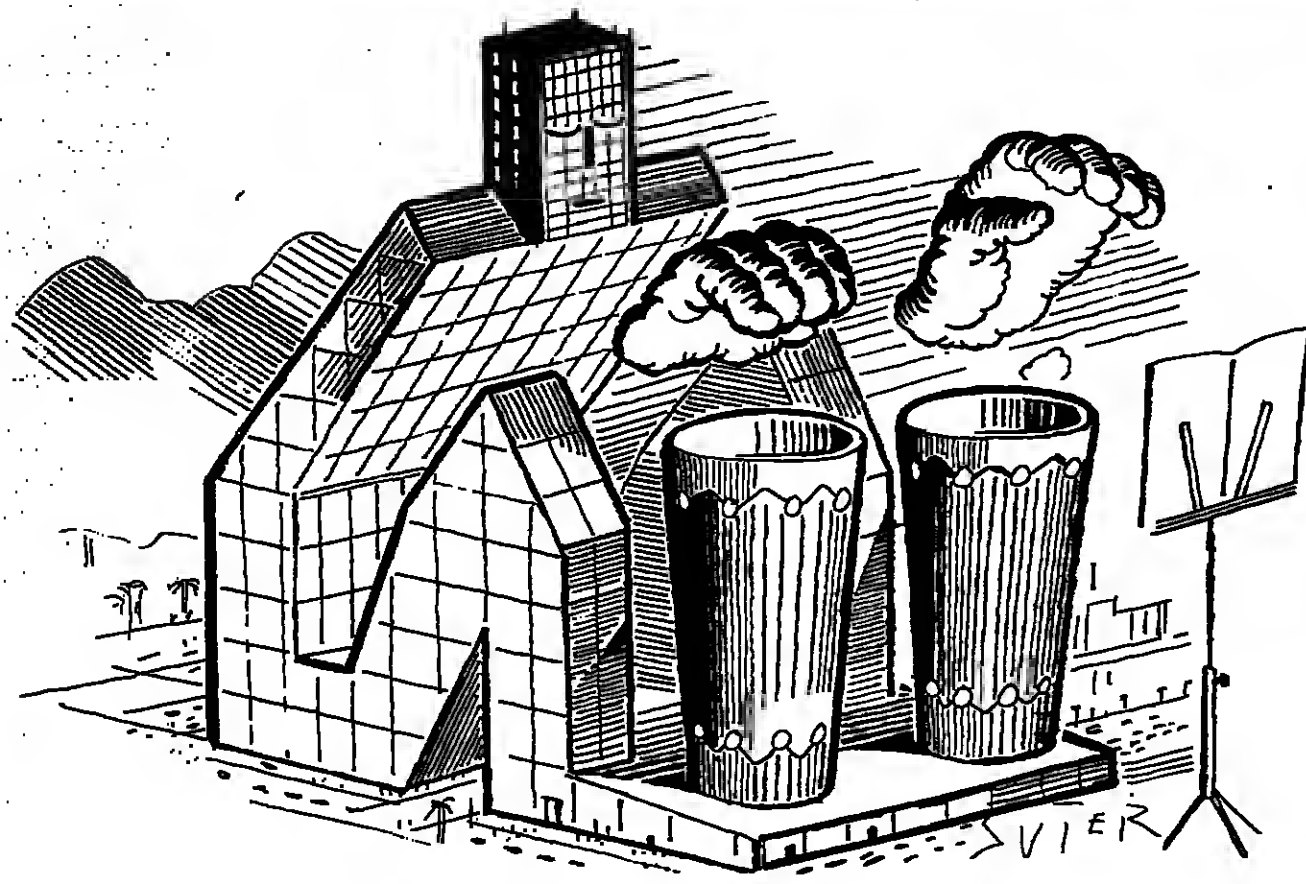
real recession, real decline, and it does not look like it is going to get out of it easily."

This painful end to the Brazilian "miracle" is prompting a broad-ranging national debate over economic strategy and philosophy. Politicians, bankers and economists discuss debts and deficits nightly on television news shows; economic policy disagreements dominate congressional sessions in Brasilia and the opinion columns of the quality national press.

The often nationalist tone of these discussions has disturbed some foreign observers. While other Latin American economies are lowering barriers to trade and investment, Brazil has seemed to be veering toward greater protectionism. A nation whose hallmark has been pragmatism is examining economic policy in increasingly ideological terms. Symptomatic of this trend, critics say, are its ban on computer imports and moves to limit nascent industries such as mining to local capital.

Some economists warn of impending industrial obsolescence — what some call the inevitable "Argentinization" of Brazilian manufacturing if the government continues to restrict

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Wanted: A Degree of Coherence In the Government's Policies

By Pedro Pablo Kuczynski

NEW YORK — No visitor to São Paulo, Rio de Janeiro, or Belo Horizonte, no driver of a Volkswagen Fox, the highly rated Brazilian compact exported to the United States, no commuter airline passenger flying an Embraer, no soldier on the Iran-Iraq front in a Brazilian-made armored car can doubt that Brazil is indeed a major industrial power.

At the same time, the drag of poverty in the north and northeast, where about 30 million of Brazil's 140 million people live, and the blow of

er of jobs in rural areas, was a major contributor to economic expansion.

Brazil thus avoided the mistake made by some other Latin American countries of trying to ram through industrialization while at the same time stunting purchasing power in the rural areas by keeping farm prices low for the benefit of the urban masses.

Much of the credit for the strong economic performance of the 60s and 70s must go to the institutionalized government system established by the armed forces in 1964. Instead of the classic caudillo type of autocracy that has been so prevalent in Latin America, the Brazilian armed forces created an institutional although highly centralized system of government.

A basic tenet of the regime was to let civilian professionals run matters that required technical competence. Another was that presidents were representative of the armed forces and should not be potential firebrands; indeed, most of the generals who succeeded one another regularly over 21 years were almost self-effacing.

The stability and continuity of the military regime and a favorable international environment gave Brazil a golden age of industrialization, especially up to the first oil crisis of 1973-1974. The need to import almost 80 percent of oil needs at that time forced Brazil to borrow abroad on a large scale or else abandon growth. The foreign banks obliged, although with considerable hesitation during the two oil crises.

The strain of keeping growth up despite the oil import constraint, and the huge investments

needed to promote greater energy independence, meant that governments tended to keep a loose rein on state enterprises. Their deficits, sometimes hidden from public view, stoked the fire of inflation. To this day, inflation and its various causes are the single most important obstacle to sustained development, as it stifles savings and productive investment.

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The strain of keeping growth up despite the oil import constraint, and the huge investments

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VIEWPOINT

The debt crisis prompts the old question of whether Brazil will always be the country of the future.

In the 30 years to 1980, when growth in Latin America started to wobble, Brazil, with one-third of the population of the region, accounted for almost two-thirds of its economic expansion. Income per capita quadrupled in real terms. Even though there was much discussion, especially in the 70s, about how evenly this prosperity was spread, the fact remains that Brazil has created a broad and strong middle class and that agriculture, a big provider

PEDRO PABLO KUCZYNSKI is co-chairman of First Boston International and managing director of the First Boston Corporation.

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Brazil enters the titanium age.

Brazil has gained entrance into the exclusive club frequented by producers of raw material for the titanium industry. Titanium is, like niobium, silicon and the rare-earths, part of the Third Wave group of metals.

Titanium oxide is a multi-purpose product: it is used for making paints and varnishes, yet it also is the raw material for titanium and essential to the aerospace industry which requires light, pure, resistant and low-cost metal alloys.

Usually, titanium oxide is mined from ilmenite and rutile, both of which are very rare in Brazil. However, in the seventies, CVRD Group geologists found rich reserves of an ore which until then had only been known on paper: anatase.

Thereupon followed twelve years of hard work. The company made surveys and invested twenty-five million dollars in the project. And its efforts paid off: it will produce over one billion tons of titanium concentrate from anatase extracted from its mines. To this end, it installed a pilot plant in the state of Minas Gerais which produced a mineral concentrate with a titanium oxide content above 90% which is considered of excellent quality by prestigious industries in this field.

Companhia Vale do Rio Doce's income will top one hundred million dollars and it will produce 200,000 tons per year to meet the needs of the domestic and foreign markets.

The future has now come to Brazil in the shape of Third Wave metals.

Companhia Vale do Rio Doce
MINISTRY OF MINES AND ENERGY

IN THE NEWS

Nov. 13: U.S. Imposes Trade Sanctions

President Ronald Reagan imposes \$105 million in tariffs on Brazilian exports to the United States in retaliation for Brazil's restrictions on U.S. computer software. The action came after four years of talks with Brazil, which has acted to limit foreign access to its markets. The sanctions represent the U.S. estimate of the annual loss to American computer companies because of Brazil's protectionist policies.

Nov. 15: Legislators Vote To Limit Sarney's Term

Pending endorsement by the Constitutional Assembly, Brazil's legislators vote to limit President José Sarney's term to four years. If approved, the measure would mean that the first direct presidential elections in Brazil since 1960 would take place in November. Opinion polls show that 80 percent of Brazilians favor an election.

Jan. 3: Judge Orders Trial of Retired General

A judge orders that a retired four-star general be tried for the 1982 murder of a journalist in what could become the first prosecution of a senior army officer since the return of civilian rule in 1985. The general, Newton Cruz, whose last post was as military commander of Brasilia, was charged along with two aides with the killing of journalist Alexandre von Bunnigarten, his wife and a boatman.

Jan. 5: Finance Minister Announces Priorities

Maislon da Nóbrega, an economist and longtime government official, is appointed finance minister. He replaces Luiz Carlos Bresser Pereira, who resigned in December. Mr. Nóbrega said he would give priority to reducing inflation and work toward reaching a quick accord with foreign creditors to ease the burden of the country's \$113 billion foreign debt.

Jan. 11: Debt Talks Begin In New York With Creditors

Brazil and its leading creditor banks, headed by Citicorp, begin talks in New York on restructuring the country's \$70 billion in medium- and long-term debt. Before the meeting, a Finance Ministry source announced that Brazil would seek a quick agreement with the IMF on its foreign debt and that it had dropped a long-standing demand that private banks first agree to a refinancing package.

Jan. 22: Brazil Ready To Pay First 1988 Interest

A Finance Ministry official announces that Brazil is ready to make an immediate payment of \$240 million toward its 1988 interest on debt to commercial banks.

Jan. 26: U.S. Protests Libyan Delegation Visit

The U.S. Embassy in Brasilia condemns the visit of a Libyan military delegation to Brazil and denounces possible arms sales to Libya. The Libyan delegation is in Brazil to begin negotiations on an arms sale that could be worth more than \$2 billion. The embassy did not say it would take any action to prevent a weapons sale and the Brazilian Foreign Ministry refused to comment on the U.S. statement.

IN THIS REPORT

Shaping the Future 8

Brazil is searching for a new political model that can resolve some paralyzing contradictions between its Third World economy and Third World society. Debate on constitutional issues is under way in Brasilia.

Auto Sales Slump 10

Last year Automotiva, the holding company representing Ford and Volkswagen, lost \$200 million and laid off 10,000 workers in the auto industry's worst year since 1971.

The Rural Poor 10

Deep-rooted poverty in the 10 states that make up Brazil's Northeast poses the country's biggest social challenge. The question is whether there is the political will to make the necessary reforms that would eradicate the problems.

Amazon Conflicts 11

The Tocantins bridge, which has opened up the Amazon region to hundreds of thousands of settlers, mining prospectors, ranchers and lumbermen, has become a blood-stained landmark of social violence.

Oil Discovery 11

After a 30-year search, Petrobras, the state oil company, struck oil last year in the Amazon for the first time. Engineers said the proven reserve is 182 million barrels.

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BRAG ABOUT IT ALL THE...

HE'D SAY "I JUST WANT...
ANOTHER MEETING...
DISCUSSED A RESULT...
SECRET PLAN THAT...
HAVE RESERVATIONS...
ABOUT LATER"

**SORRY, GEORGE, YOU...
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AND YOU'RE IN IT...
TO YOUR EARLHURST...**

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Young Democracy Has Failed To Produce a Social Contract

By Juan de Onís

BRASILIA — Brazil is searching for a new political model that can resolve some paralyzing contradictions between its First World economy and Third World society.

The weak government of President José Sarney, beset by inflation and eroding popular support, has provided little leadership on shaping Brazil's future since it took office in 1985.

The task has fallen to a popularly elected Constitutional Assembly of 539 legislators. This body has been working erratically for nearly a year on a new constitution to provide a framework for national development.

Clear signs of a halt in Brazil's economic growth has given new urgency to the political struggle over how this country's 140 million people should manage their huge economic potential.

Policies, such as heavy borrowing abroad, that have sustained Brazil's 6 percent annual development since World War II no longer work. Last February, Brazil halted interest payments to private foreign banks on \$68 billion in debt.

Populist income redistribution and price control measures, designed to boost internal demand, have been consumed by inflation, which is now at 16 percent a month. Huge deficits in state enterprises have undermined public investment, reducing growth.

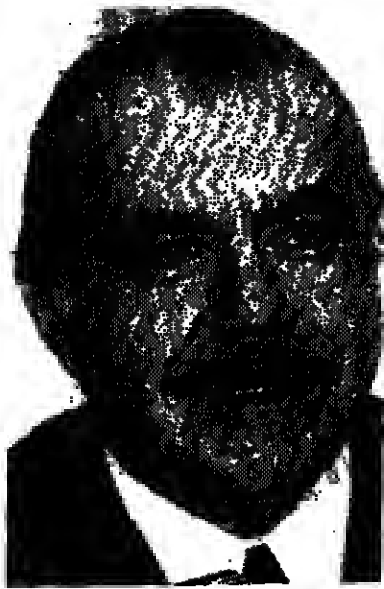
"Until new rules of the game are defined, Brazil is going to be marking time. This is going to be a lost year," said Francisco Gros, executive director of Aracruz Celulose, a Brazilian-owned pulp and paper company.

Voting on the constitution began at the end of January and will probably last until May since breaks for Carnival and Easter will delay the outcome.

Two basic tendencies over the constitution are in opposition in Congress. A relatively conservative majority, called the *Centrao*, or Big Center, favors economically liberal principles that support national private enterprise, a market economy and selected foreign investments.

The *Centrao* has backed a limited agrarian reform plan, excluding family-operated farms; collective bargaining with unions on labor contracts; a 44-hour workweek, instead of 48 hours; and severance pay for workers based on length of employment.

A militant leftist minority, skilled in parliamentary maneuvers, wants to adopt a constitution that follows a state-planned socialist and ultra-nationalist model. This group drafted the text that is now being put to vote, and the *Centrao*



President José Sarney.

has to muster a majority of 280 votes to amend it.

The confrontation in the Constitutional Assembly over principles has become a struggle for personal power as well. The leftist minority reduced Mr. Sarney's term from six years to four in the draft constitution in hopes of forcing a direct, popular election for president this year.

Mr. Sarney, 57, who is in close contact with leaders of the *Centrao*, has fought back and believes that he has assembled enough votes to be assured of a five-year term. That would put off presidential elections until the fall of 1989.

Public opinion polls have shown that a wide majority wants elections this year. A delay until next year would mobilize powerful political protest.

Leonel Brizola, a populist former governor of Rio de Janeiro, has announced that he is a presidential candidate for this year. So has Luis Inacio da Silva, a former autoworker union leader who heads the Catholic left Workers Party, a rising force.

The Brazilian Democratic Movement Party, which has a majority in Congress, is split over Mr. Sarney, although it has key ministers in the cabinet and 22 governorships. The left wing of the Democratic Movement wants a break with Mr. Sarney and elections this year.

Mr. Sarney's chances for a five-year term, when the vote comes, depend on the government's ability to control inflation while avoiding a recession and an increase in unemployment.

In early 1986, facing explosive inflation, Mr. Sarney launched a price-and-

wage control plan, with a monetary reform that temporarily stabilized the cruzado. Initially, this was very popular, but the plan collapsed because Mr. Sarney failed to reduce public deficits and spent Brazil's foreign reserves on importing consumer goods. This led to the debt moratorium.

"That sleight of hand can't be repeated now. This time, Sarney will have to save himself by an orthodox dose of financial austerity," said Senator Roberto Campos, a champion of the liberal economists.

But austerity that cripples growth is politically dangerous for Mr. Sarney. A country that has to generate employment for three million new job-seekers each year cannot stop growing for very long without risking social conflict and political instability.

The dangers are apparent to the powerful private business sectors, as well as political parties and other forces that influence public decisions, such as the armed forces, the Roman Catholic Church and the independent media and intelligentsia.

Antonio Ermirio de Moraes, a São Paulo industrial tycoon, is the biggest producer of cement and aluminum products in Brazil. He was an outspoken supporter of a return to democratic rule in 1985 and harbors ambitions to be a candidate for president.

In an interview in O Estado de São Paulo in December, Mr. de Moraes said:

"For 10 years we spoke badly of the dictatorship, asking for the return of democracy. The blunders of the new government have been so great that they have become a catalyst for the return of an authoritarian government. It is sad because an authoritarian government is not the solution. But it would be no surprise."

After 20 years of authoritarian military rule, Brazil restored an open, democratic system in 1985. Congress elected Tancredino Neves, a moderate opposition leader, as president.

Many Brazilians thought the election of Mr. Neves and a strengthened Congress would solve problems and provide competent leadership. The result has been just the opposite.

Mr. Neves died before taking office. The presidency went to Mr. Sarney, a former governor of Maranhão, a small northeastern state, because he had been selected vice president in a political deal. Mr. Sarney lacked Mr. Neves's popular support and authority over the major governing party, the Brazilian Democratic Movement.

The armed forces, led by General Leônidas Pires Gonçalves, the army minister, backed the Neves election and have shown no desire to displace Mr. Sarney.

Constitutional Issues at a Glance

The debate on the draft constitution in Brasilia has centered on the following issues:

System of government

An amendment creating a parliamentary government, led by a prime minister, is in the text adopted by the General Commission of the Assembly. This would reduce the president to chief of state, with limited powers, and increase congressional power.

Length of President José Sarney's term

The draft text establishes a four-year presidential term in the general articles. The present constitution fixes a six-year term. A transitory article terminates Mr. Sarney's present term on March 15, 1989. This would require a direct presidential election this year.

Agrarian reform

The draft says that farm land can be expropriated in the "social interest" with payment in long-term agrarian bonds, when the property does not meet standards of "rational use" and environmental protection. Family-operated farms are exempted.

Industrial protectionism and technology development

The text contains the nationalist criterion that defines the Brazilian market as a "national patrimony" reserved to Brazilian companies. An amendment softens the criterion of a "Brazilian company" to allow foreign capital participation.

State monopoly on petroleum

The text extends the existing monopoly in favor of Petróbrás, the state company, to include distribution of products, which would eliminate private filling stations. The text also would terminate "risk contracts" under which private oil companies can explore for oil under contract with Petróbrás.

Job stability

The text guarantees workers against "unmotivated dismissal." Employer organizations as well as some union leaders have testified that the proposed change would generate massive dismissals and job instability. An amendment would guarantee severance pay, based on length of service, for termination of a work contract.

Revenue sharing

The text increases the share of states and municipalities in general tax revenues. Mr. Sarney has said the text is unworkable.

Juan de Onís

The military leaders say they are "constitutionalists."

For many political scientists, such as Helio Jaguaribe, the problem is not Mr. Sarney, but the fact that the democratic process has not produced a national majority that can agree on a "social contract" on which to build a fully modern nation.

Mr. Jaguaribe said he thinks a new election would help define the areas of consensus.

Others argue that the presidential system concentrates too much power without safeguards against corruption, and support a parliamentary system of government. The Constitutional Assembly will vote on such a proposal.

Brazil is one year away from celebrating the centennial of the overthrow of a hereditary monarchy.

The revolutionaries of 1889 founded a presidential republic that has been shaken by military coups, a corporatist dictatorship under Getúlio Vargas, presidential suicides and resignations. In the

past 30 years, there was one successful democratic period under the late Juscelino Kubitschek (1956-1960).

The challenges to democratic government now are basically social inequality and weak political institutions. Political parties are unstable, lack a doctrinaire base and are discredited by corruption.

In the creation of wealth, Brazil has achieved the production of \$250 billion a year in goods and services, making it the 10th largest economy in the world. However, tens of millions suffer from malnutrition, sickness and illiteracy and live on incomes of less than \$30 a month.

In the distribution of wealth, Brazil remains a country more of rags than riches.

JUAN DE ONÍS, a journalist based in Brazil, contributes regularly to the International Herald Tribune on Latin American affairs. He is writing a book on Amazonia for the Twentieth Century Fund.

Wanted: A Degree Of Coherence in Government Policy

Continued from page 7

ries of economic crises, Brazil has two major features that are fundamental for its future prospects: size and a sense of national purpose.

With a \$275 billion gross national product and an area larger than the continental United States, there is no doubt about the size. A strong sense of purpose may appear surprising in a multi-racial society, but Brazil has over its history managed to create a nationally unified society with racial tolerance. Social and economic tensions exist, but the historic divisions visible in many other societies, industrial and developing, are not evident. This fosters a tolerance to innovation and an aversion to traditionalism that is healthy for development. Add to this a strong entrepreneurial class.

A third factor often cited is the abundance of physical resources, from water and hydroelectric sites to mineral wealth. The successes of Japan and Switzerland, however, cast doubt on whether physical resources are really such a critical factor. Nonetheless, resources plus promotional policies to develop them have played a dynamic role in growth.

In the last five years alone, which were years of economic crisis, steel production went up 50 percent, coal 35 percent, crude oil 200 percent, aluminum 180 percent, and raw paper pulp 50 percent. In steel, aluminum and tin, Brazil in the last 10 years has become a major factor in world markets. The successes of Petróbrás in building up domestic oil production, which now accounts for more than 60 percent of consumption, make Brazil far less vulnerable today than it was in the 70s to an eventual increase in world oil prices. Despite a depressed domestic market, vehicle production in the period 1982-1986 went up 60 percent, with most of the growth going into exports.

What, then, is missing? More than anything, coherence and continuity in government policies. A saying goes that Brazil grows at night, when the government sleeps. In that sense, Brazil is comparable to the Italy of some decades ago: apparent political turmoil at the top but a vibrant economy underneath. Yet basic reforms are needed.

First, an accommodation must be found with Brazil's creditors, involving, on the side of Brazil, a credible economic program, predictability in debt servicing and a viable debt-equity conversion program. The bank creditors, for their part, must grant major concessions to permit the conversion of the debt into longer-term lower-cost obligations. Second, as a player in the big leagues of world trade, Brazil urgently needs to develop a more flexible and less protectionist trade policy. For example, as justified by the policy of fostering a domestic informatics industry, one cannot expect the United States to import cars, planes and orange juice from Brazil — all of which compete with U.S.-made products — while advanced U.S. industries are shut out of parts of the Brazilian market.

THIRD, and most important, the state sector must be reined in. In the words of Alan Riding of The New York Times (Dec. 20): "Since the Latin American debt crisis began, the state's role has changed from one of stimulating growth to one of living off the rest of the economy." More than 500 mostly deficit-ridden state enterprises vie with penniless state governments to get a share of a shrinking federal pie. Five large state enterprises alone, in electricity, steel and railroads, are projected to lose \$3 billion in 1988.

A ponderous bureaucracy combined with politics slows investment decisions and can cause economic havoc where price controls are involved, as in the dispute between the government and Antolin, the Ford-Volkswagen joint venture, over the unfreezing of car prices in October 1987.

Despite the hitches, Brazil is growing. To make it a sustained and continuous effort, a modicum of consensus and good government is required. With that, Brazil would indeed be a major industrial power in the world by the early 21st century. That is the great challenge facing the democratic form of government that was installed in 1985.

Faltering Economy Seeks a Model

Continued from page 7

foreign capital and technology. While traditional heavy industries prospered behind Brazil's protectionist walls, the new high-tech service age demands international financial integration, first-rate technical training and access to proprietary technology, they argue.

"The technological factor is forcing us to forget everything we ever knew about nationalism," said Carlos Alberto Primo Braga, an economist at the University of São Paulo. "This is very difficult for a society like Brazil's."

Yet Brazil's recent exporting success — sales doubled in a decade to \$26 billion last year — is seen by others as driving it inexorably toward trade liberalization and technological modernization, if only out of fear of losing the markets on which it increasingly depends.

"This is the single most important question that we face today in Brazil and in Latin America — the issue of our development model," said a high-ranking adviser to President José Sarney. "The import-substitution model may be exhausted but the question is, what model should we put in its place?"

The debate is hardly academic. For two decades the fastest growing economy in the developing world, Brazil was stopped cold in the early 1980s as rising foreign debt and oil bills triggered the country's worst recession.

It was then dangerously overhauled by the 1986 Cruzado Plan, a bold but badly implemented anti-inflation program that froze prices, boosted wages and lopped three zeroes off the currency. Now the economy is again stagnating, with prospects of record consumer price rises and zero per capita income growth in 1988.

Advocates of such shock therapy warned at the time that the Cruzado Plan would work only if accompanied by profound fiscal reforms, including increases in taxes and public sector prices. But the government's "operational" deficit, not including inflation-distorted domestic debt financing, was reduced only slightly to 3.7 percent of gross domestic product, down from 4.3 percent in 1985. The deficit rose to nearly 7 percent of GDP in 1987 and is projected unofficially at 5 percent of GDP this year.

"The Cruzado Plan was a lost opportunity," said Marilou da Nóbrega, who in January became Brazil's fourth finance minister in three years.

"The president has indicated that he will support a suitable austerity program," including a "very tight monetary policy," Mr. Nóbrega said. But such adjustments must be gradual, he stressed. "It is more important to rebuild confidence than it is to bring down inflation quickly," he said.

The balanced operational budget that economists say is needed to brake inflation may be politically feasible only after a new government takes power, many observers assert.

"Economists are predicting a recession this year because of government spending cuts, but I disagree with that viewpoint," said Romen Chap Chap, the owner of one of São Paulo's biggest construction firms. "The government is getting close to elections, and there are 4,300 municipalities out there asking for bridges and schools and sewer systems. The only way the government can get the support it wants is by spending money. This is political reality."

And where will the money come from? Mr.

Chap Chap smiled, his right hand cranking an imaginary printing press.

When the Cruzado Plan collapsed, inflation burst back with a vengeance. Consumer prices in early 1987 soared more than 21 percent monthly until a second shock program slowed inflation again, but at the cost of a temporary recession. Last year's consumer price index still rose 390 percent, a Brazilian record.

Optimists, among them government economists, believe inflation can be held to 300 percent in 1988, but most forecasters predict a record price rise in the 400 percent to 500 percent range.

Brazil 'should practice a kind of demagoguery of austerity.'

Foreign automakers, Brazil's largest source of foreign investment and manufacturing export income, say the combination of rising inflation, strict price controls and an overvalued official exchange rate is forcing them to scale back export production.

Investor hesitancy has been exacerbated by the seething debate over the timing and advisability of new presidential elections and, far more importantly, the shape of the new constitution. In draft form, the proposed constitution has unvarnished business leaders with its detailed labor code and restrictions on domestic and foreign private investment.

Adding to this is the long shadow cast by Brazil's \$114 billion foreign debt, the Third World's largest. One year ago, Brazil shocked creditors by cutting off payments on the \$68 billion that the government owes to private foreign banks. With foreign reserves dwindling to less than \$3 billion, about a quarter of what Brazil minimally needs, and industrial output and consumer consumption faltering at home, the government could no longer afford interest payments.

The payments cutoff drew criticism at home as well as abroad. It postponed more than \$4 billion in scheduled 1987 interest outlays. But opponents contended it cost the country up to \$1 billion in lost trade credits, plus billions more from the high bank fees and profit margins that Brazil was paying from past debt contracts, without exacting substantive repayment concessions.

After refusing to sign a loan-triggering economic reform accord with the International Monetary Fund and demanding the discount conversion of commercial debts into long-term government bonds, Brazil is now negotiating talks with the IMF and seeking a private bridge loan that would be the first step toward renewing full debt servicing.

Lutz Carlos Bresser Pereira, who took office last April as finance minister after the February 1987 moratorium only to resign after losing a fight for higher taxes a few months later, still defends the government's defiant debt stance.

"I wanted to stress clearly to creditors that we need a new system for the debt," he said in

an interview. "The banks can say that they have political problems with their governments and shareholders, but I also had political problems. How can you justify a net capital outflow when your economy isn't growing?"

Mr. Nóbrega's more conciliatory position — he said Brazil needs IMF aid despite the political "trauma" it arouses and wants a "negotiated solution" with creditors — has been praised by foreign bankers and by conservative Brazilian economists and businessmen. But Mr. Nóbrega, like Mr. Bresser Pereira before him, is adamant that debt repayment must not interfere with Brazil's pressing need for renewed growth.

Brazil's definition of an economic slowdown is different from the rest of the world's: Last year's 3.5 percent growth was called a recession in some quarters. But such a rate barely keeps pace with the growth of its population, which at 140 million is already the world's sixth largest.

And Brazil compares itself not with other countries so much as with its own past. In most of the 1960s and 1970s, it averaged better than 7 percent annual growth, with the expansion hitting 12 percent in 1972 and 14 percent in 1973.

Brazil entered the 1980s facing the unfamiliar specter of negative growth. The economy shrank a drastic 3.4 percent in 1981, the consequence of rising oil bills. In 1982, it registered 0.9 percent growth, and in 1983 the economy contracted again, this time by 2.5 percent. By mid-decade, growth charged back to 8 percent, but with the Cruzado Plan's collapse per capita income stopped growing again.

Officials are very worried about the effects of a prolonged recession on a country that has had 7 percent to 8 percent real growth for the past 20 years," said Carlos Langoni, a former central bank president. A fiscal conservative and vocal proponent of foreign investment, Mr. Langoni is among the many members of the Brazilian financial establishment who consider foreign debt relief essential to economic recovery. Equally important, though, he argues, are reductions in public spending — the central cause of Brazil's "economic disequilibrium."

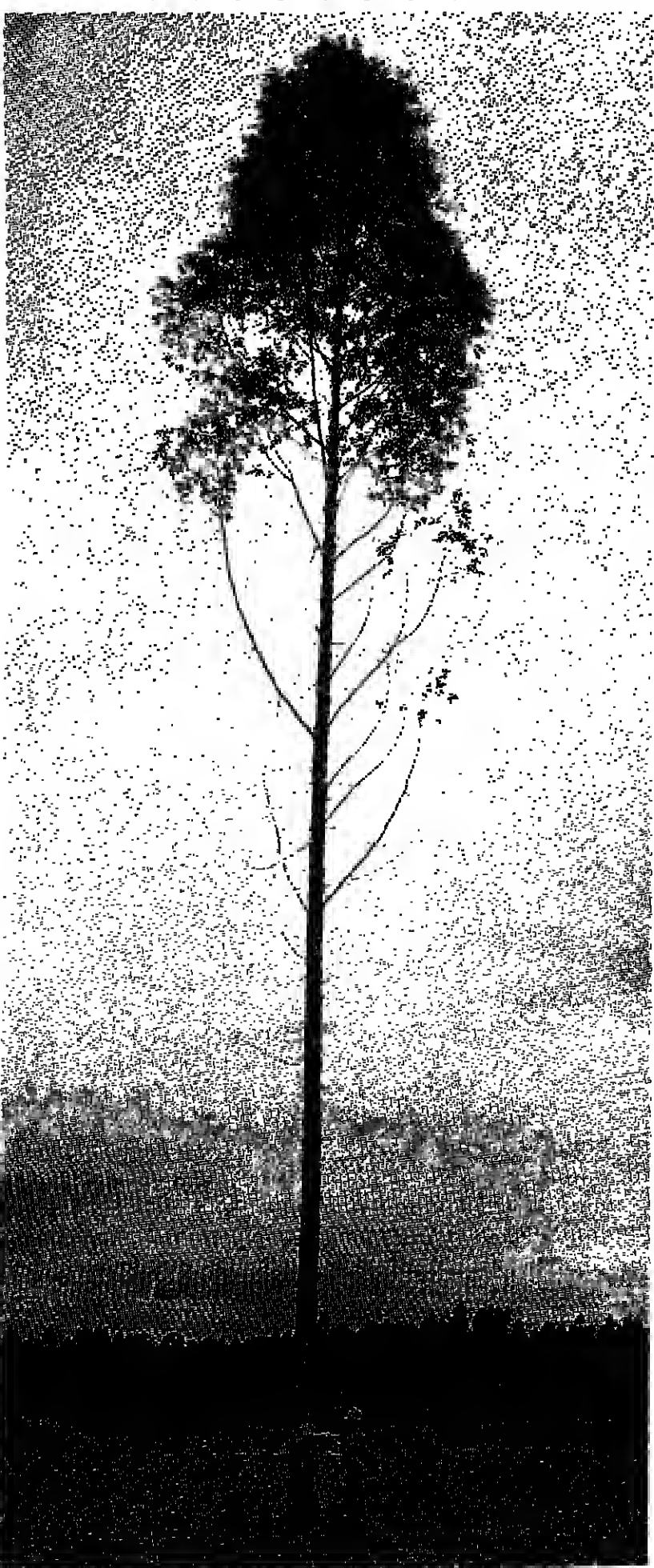
MANY analysts say there is a growing popular sentiment that the government is bureaucratically and financially overextended. They also detect increasing consumer awareness of the benefits to the pocketbook of a less sheltered and regulated economy.

"The government should practice a kind of demagoguery of austerity," conservative Senator Roberto Campos said. "People are ready for it. Privatization and deregulation are needed much more urgently here than in Great Britain or the United States."

Other politicians, however, doubt the public's willingness to tolerate the slow growth and high public service costs that austerity policies necessarily imply. Protracted economic hardship could undermine Brazil's emerging democracy and, consequently, jeopardize its chances of transforming itself into a modern industrial society, many Brazilians fear.

Business analysts generally remain confident that Brazil's natural entrepreneurial vigor assures it a positive future.

Brazil finished 1987 with a solid \$11.2 billion trade surplus, up 33 percent from 1986 — a sign to many of the economy's underlying strength.



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il at the top but a whole
conomy underneath. Yet the
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First, an accommodation
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tion. The bank creditors, for in-
stance, must grant major conces-
sions to permit the conversion
of the debt into longer-term,
lower-cost obligations.

Second, as a player in the
global market, Brazil's econ-
omy needs to develop a more
flexible and less protectionist
policy. For example, as a
consequence of the policy of
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tries cannot expect the United
States to import cars, planes or
orange juice from Brazil — all
which compete with U.S. prod-
ucts — while advanced U.S.
industries are shut out of the
Brazilian market.

THIRD, and most im-
portant, the state sec-
tor must be reformed. In the
words of Alan R. Klein,
a New York Times (Dec. 1)
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a Model

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ments, but I also had political
problems. You justify a net capital
outflow only isn't growing?"

More conciliatory positions
towards IMF aid despite the
difficulties and wants a "negotia-
ble" approach — has been
criticized and by conservative
businessmen. But Mr. Bresser
Pereira before his
debt repayment must not be
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recession.

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down in the rest of the world.
The growth was called a recession.
But such a rate barely
growth of its population, which
is already the world's
largest.

compares itself not with
the rest of the world, but
with its own past. In the
1970s, it averaged 8 percent
annual growth, with the ex-
ception of 1972 and 1973.

the 1980s facing the
negative growth. The average
3.4 percent in 1981, the
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centage is growing again.

very worried about the
recession on a country that
is 8 percent real growth for
said Carlos Langoni, a
senior
economist.

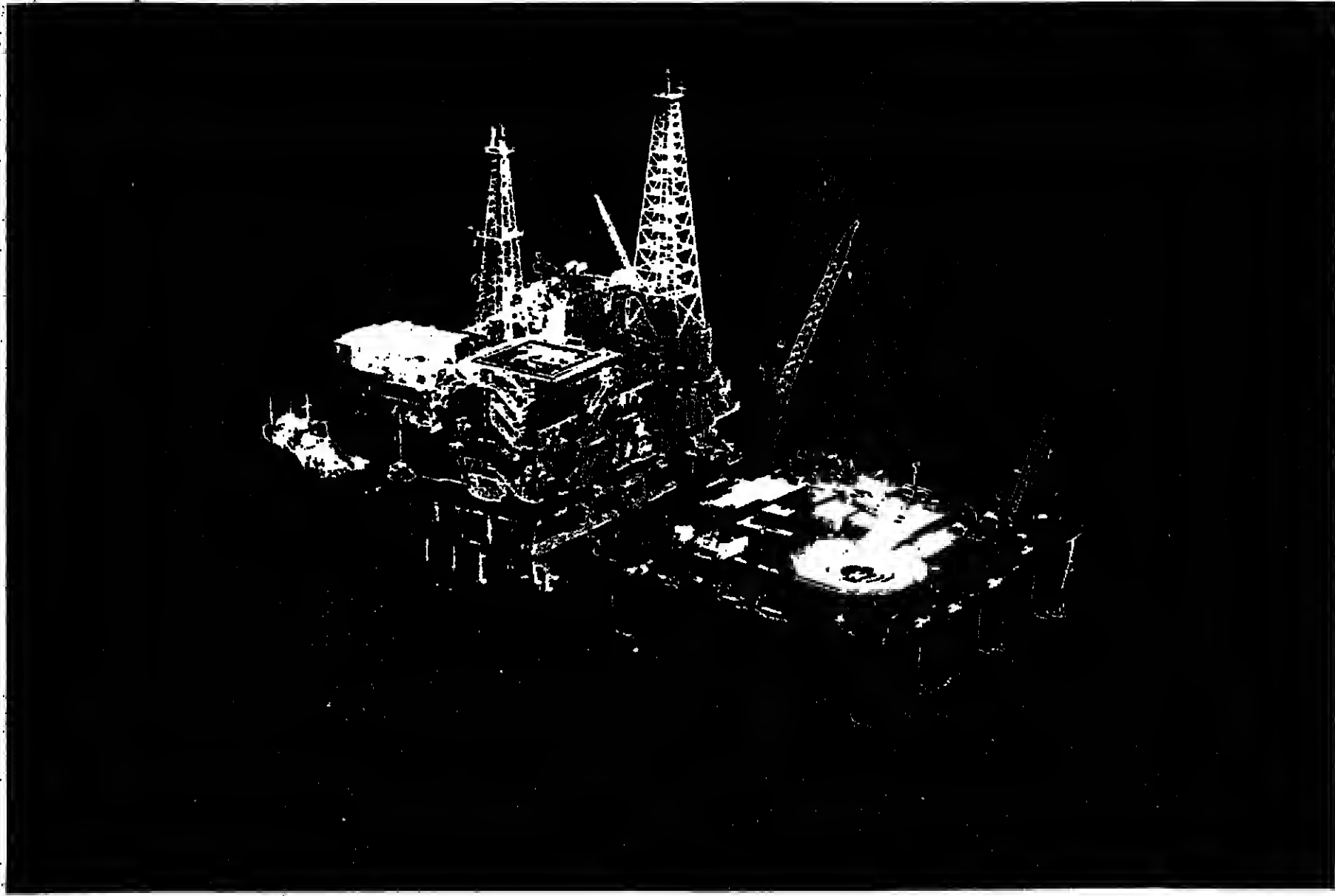
ervative and vocal propo-
sitions. Mr. Langoni is among
of the Brazilian financial
to consider foreign debt
economic recovery. Equally
argues, are reductions in
the central cause of
unemployment.

NY analysts say there is a
growing popular sentiment
the government is becoming
and financially over-
extended, and that it should
detect increasing economic
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1987 with a solid \$112
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Automakers Hit Hard By Slump

'Last year was the worst result in more than a decade.'

By Mac Margolis

SAO PAULO — One of the celebrated axioms of modern Brazil is that its entrepreneurs have traditionally been able to cope, and some even to thrive, in times of runaway prices and despite chronic overhauls of the economy.

Like a high wire act, doing business at triple-digit levels of inflation was always risky, but a plain and fairly predictable set of rules of economic life, such as price indexing, or ratcheting prices and wages to inflation, served as a balancing bar against disasters.

But in recent times, Brazil's acrobat impresarios have been stumped. In a little less than three years, they have negotiated with four different finance ministers, swayed two price freezes, weathered a record-breaking 365 percent inflation. Almost every trimester, they have been buffeted by government-decreed economic reform packages.

The country's automobile manufacturers, who form the core of São Paulo's industrial belt and whose multi-million-dollar investments hinge on steady signals from Brasília, have arguably been among the most acutely affected by the changing economic winds.

Last year, virtually all of the 22 manufacturers of cars, trucks and tractors ended up with heavy losses on their balance sheets. Fiat, which in 1986 made \$60 million in profits, lost money. The sector's leader, Autolatina, the giant holding company representing Ford and Volkswagen, lost an estimated \$200 million and laid off 10,000 workers.

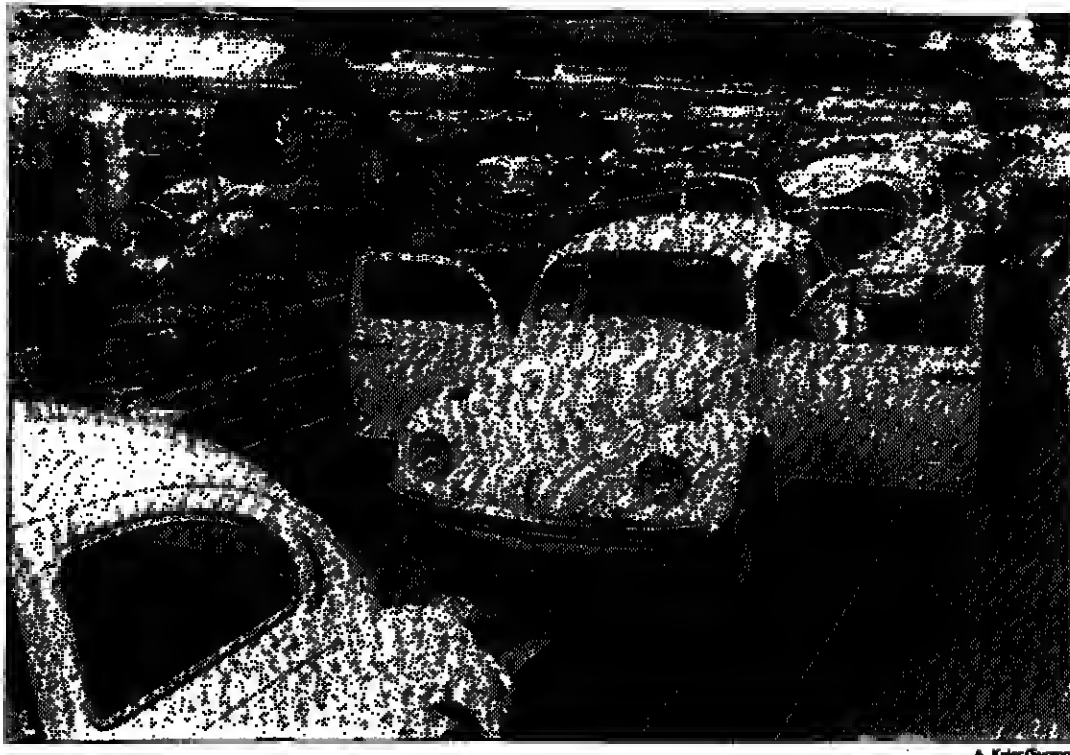
"Last year was a disaster," said André Beer, president of the National Association of Automotive Manufacturers, Anfaeva. "This was the worst result in more than a decade."

In fact, last year's production of 581,000 units was the industry's worst performance since 1971, just before the boom years.

Automobile officials point to a panoply of problems: unrealistic price caps, stiff taxes, lack of clear rules on foreign investment and an economy still reeling from the effects of the 10-month price freeze carried out under the Cruzado Plan.

Robert Stone, president of General Motors do Brasil, explained the curious arithmetic of making cars in Brazil. "From November 1986 until the end of 1987, automobiles had price readjustments of 490 percent. In the same period, we had about 338 percent inflation, and average salary increases of 284.5 percent," he wrote in a recent newspaper column.

Although these prices were out of reach of consumers, he continued, "they were still insufficient to cover indus-



An assembly line at a Volkswagen factory near São Paulo. Last year, Autolatina, the giant holding company representing Ford and Volkswagen, lost an estimated \$200 million.

try costs, much less to guarantee profit, the oxygen necessary for the sector to invest and grow.

In their battle with the government over pricing, the automobile manufacturers cajoled, complained and threatened the government. Autolatina even staged a lockout, shutting its plants for almost a week, after the government granted a price increase below what the industry asked in October.

Then, in November, the company rejected government ceilings and set its own prices.

Wayne Booker, vice president of Autolatina, defended the action, saying, "We were operating within our legal rights." He invoked a previous price accord signed by former Finance Minister Dilton Funaro.

Luiz Carlos Bresser Pereira, Mr. Funaro's successor as finance minister, disagreed. He condemned the company's action as "hatred civil disobedience" and blamed Autolatina's losses on "bad business."

The dispute is now in the Brazilian Supreme Court, where a verdict is expected in February.

Another factor in the industry's poor performance last year was heightened labor activism, sparked by average wage adjustments below inflation. The entire automobile industry was beset with strikes and assembly line slowdowns that reduced production by 50,000 vehicles.

But the principal complaint of manufacturers is the steep excise tax on cars. Through most of last year, taxes represented a staggering 73 percent of new car prices. It took a dealer's sales to reduce the tax bite to 40 percent, still "the highest in the world," according to Mr. Beer.

But not all was gloomy in 1987. In fact, at least since the 1982 debt crisis, one of the remarkable features of the economy has been the ability of the export sector to respond when the home market goes sour.

While sales at home plunged, Brazil managed to export a record 344,000 vehicles, principally to the United States, Europe and the Middle East. All told, automobiles and autoparts accounted for almost \$4 billion in trade revenues, or 15 percent of total exports.

The Volkswagen Fox, a medium-priced passenger car, has found ready buyers in the United States, and the

company signed a contract to deliver 100,000 Passat sedans to Iraq.

"Fortunately, we do not export taxes," Mr. Beer said, explaining the competitiveness of the export models.

Most industry officials say that the automobile industry is at a crossroads. Since 1956, when the industry began under a development drive by President Juscelino Kubitschek, Brazil has produced almost 18 million vehicles. There is now one car for every 14 Brazilians. The 22 manufacturers of cars, tractors and trucks rank 11th among world automobile exporters. Brazil has also been one of the fastest growing automobile producers.

However, the industry's capacity, currently a million vehicles a year, has remained static for more than 10 years. To attend a growing population, Brazil needs massive investments and plant expansion.

Despite signs of an economic downturn, General Motors announced in January a \$200 million investment in a new model, the Kadett, and other companies have also scheduled modest investments.

However, industry officials say that future growth hinges on clear rules for investment and pricing and on relaxing controls on technology transfer and trade.

Due to Brazil's tightly controlled informatics policy, which severely restricts imports of microcomputer products, manufacturers are in the curious and costly predicament of having to produce two standards of car: one state-of-the-art vehicle for export only, and another humbler model for the home market. Brazilians are deprived of such features as electronically controlled anti-skid devices and pollution control apparatuses that are standard overseas.

"We're at a critical time in 1988. Investments in the automobile industry are long-term commitments," said Mr. Booker of Autolatina. "We'll be sitting down with the government and discussing which direction they'll be taking."

MAC MARGOLIS is a Rio de Janeiro-based correspondent for Newsweek and a contributor to The Times of London.

Northeast's Poverty Poses Primary Social Challenge

By William A. Orme Jr.

RIO DE JANEIRO — The dusty scrublands of Brazil's equatorial shoulder can seem like another country — the landscape is arid and populated instead of wild and lush, the people are often more Amerindian than African or European, the poverty is rural rather than urban.

But it is not another country. Its emigrants fill the favelas, or slums, of Brazil's south. It is the home turf of the most powerful bloc of radical bishops in the Roman Catholic Church, a group that aggressively champions the cause of the poorest of the poor. Remote as it may seem from the industrial corridors of Rio and São Paulo, it is an area that some Brazilians say could determine their country's future.

Brazil today is shaping a new constitution and political future. The success of this experiment, some suggest, may be judged a generation from now on whether it confronted Brazil's biggest social challenge: the deep-rooted impoverishment of the 10 states known collectively as the Northeast.

The Northeast is a national question, not a local question, said Helio Jaguaribe, who analyzed national income disparities in a recent report called "Brazil 2000."

If the stark inequities represented by the Northeast are not resolved, he warned, Brazil could be torn apart. "We could be faced with the sad alternatives of a fascist regression to a sort of 'social apartheid,' or a radicalization of younger army officers leading to the imposition of Ethiopian-style communism," he wrote.

Intended to stir debate and controversy, Mr. Jaguaribe's conclusion is based in socio-economic reality. Statistics put the Northeast on a par with Haiti, the hemisphere's poorest nation. But it has six times Haiti's population.

The typical Northeasterner can expect to die at 52, according to the 1980 census, the average Brazilian's life expectancy is 60 years, with the median surpassing 65 in the more prosperous south. Infant mortality in the Northeast is 121 per 1,000 live births, the highest rate for an area that size in the Americas; this compares with 75 per 1,000 in Rio, and 60 per 1,000 farther south.

About 15 percent of Brazil's families live in what we categorize as 'misery,' meaning that the family earns less than one-quarter of one



The number of Brazil's homeless children, many of whom live in the Northeast, is estimated at more than 30 million.

The typical Northeasterner can expect to die at 52.

minimum wage," Mr. Jaguaribe said. "Most of these families live in the Northeast. More than half of these Brazilian miseries — about 55 percent — are children under 14. It is a very, very appalling situation."

Educational levels lag far behind national norms. In 1983, according to government data, there were 115 million Brazilians older than four, of whom 33 million lived in the Northeast. But of the 30.5 million Brazilians older than 4 who were illiterate, fully half, 15.5 million, were Northeasterners.

Landholding bosses have long frustrated efforts to redress the region's skewed property distribution, a problem more typical of the rest of Latin America than it is of the rest of Brazil. In a region where most farmers work small plots of 5 acres (2 hectares) or less, at least half the land is tied up in undergrazed cattle ranches of 1,000 acres and more.

Flávio Teles de Menezes, who leads Brazil's biggest independent farmers' association, said his members would favor a land reform initiative aimed at the Northeast. Pre-

viously, it would be a productivity-based legal formula that would use expropriation only as a last resort. But he said he doubted that big Northeastern landowners would ever face such a challenge.

Parties in government always seek alliances and the balance of power always favors the Northeastern politicians, he said. Change may have to come through industrialization and urbanization, rather than land reform.

Many experts say abject poverty could be largely eradicated with a mix of land reform, industrialization and public investment in health, education and basic infrastructure. The resolution of peasant land claims and demarcation disputes would also contribute greatly to income redistribution, they say.

There is no question that Brazil has the resources, the economic capacity, to eliminate the poverty of the Northeast, said a development specialist at the United Nations Economic Commission for Latin America. The question is whether it has the political will.

Confidence Is Key to Easing Crisis

Continued from page 7

is a kind of trauma in Brazilian public opinion. People think the IMF comes here to impose a program especially designed to provoke recession. People think that by signing an agreement with the IMF they surrender their sovereignty. So, I think the government should clarify the precise role of the IMF. I agree with you, experience has shown that one way or another, the IMF and the banks find a way to overcome difficulty for countries that are not able to meet targets. But more and more people in Brazil are becoming convinced that an agreement with the IMF is important to allow more space for the economy to grow.

Q. But clearly, the bottom line is adjustments within the Brazilian economy. If these adjustments are made on Brazil's own initiative, wouldn't that be a clear sign as any?

A. Yes, look. What we are trying to say is that a suitable adjustment is in our own interest. We are not seeking a cut in the deficit only to enjoy a salable agreement with the banks. We are convinced that we ourselves need it.

Q. With or without the IMF? A. Right. Then, if we're convinced that an adjustment should be made, that it is important to control the public deficit, because it may curb inflation and may restore confidence and it may give incentive for private entrepreneurs to invest more, if we are willing to do so, why not take the opportunity to go to the IMF with the same program?

Moreover, we have been saying that there are substantial differences between the situation in 1983 and 1988. At that time, people thought that the crisis would be short, and would take, say, two or three years for everyone to overcome the crisis. Then, as time went by, people became convinced that the crisis is a lasting crisis. So what the president has said is that the IMF, the international community, all of them have changed their ideas.

It is impossible to go on carrying out programs of adjustment, austerity, unbearable austerity, because it affects the social fabric, and it may create political instability. So, let's find a way to work together to develop the country. How? By building up a climate of confidence to attract foreign investments, to deregulate the economy, to get rid of unjustifiable controls. Where it is possible, to let the market work.

Q. But this is a very difficult balancing act. You are forced to avoid recession and yet to cut spending. What specific measures, can you adopt?

A. Look. For the first time in history, Brazil has a unified budget. There will just be one source of expenditure, which is the budget recently approved by Congress. Until 1987, Brazil had two budgets, the official budget and the monetary budget. And through the monetary budget, the minister of finance had the power to authorize unlimited expenses by signing a piece of paper. Before 1987, if, say, agricultural pressure groups came here and

said we need more subsidies, the minister could say no, but they knew he could decide in their favor. Now, the minister can say no, because the law does not allow me to do so.

Q. Essentially, what you propose, Mr. Minister, is something some of your predecessors would not have liked, that some of the superpowers of the Finance Ministry be reduced?

A. Yes. Q. You want to reduce your own powers?

A. Yes, because I'm convinced this ministry has so much power it hasn't been able to exercise that power. It has been impossible for the ministry to look into all the problems that come here, because everything, almost everything is decided at this ministry. Agricultural problems, supply of wheat, prices, foreign trade, insurance policy, credit policy, monetary policy. It's too much power, and experience has shown that the ministry has not been able to use these powers adequately.

Q. You've said, no more miracles in economic policy, no Mailson Plan, that you want a bread-and-butter economy. Could you explain that in the current context of high inflation? How, without a dramatic shock, can you significantly reduce inflation and still avoid an explosion of discontent and suffering?

A. First of all, if we avoid hyperinflation, it wouldn't be enough, but it would be a breakthrough. We are aware of the fact that inflation will not disappear overnight. In 1988, we are going to have a

very high level of inflation. Forget about that. Not because inflation does not cause problems but because the Brazilian economy gets accustomed to dealing with inflation. What is important is to reduce the crisis of confidence, the [problem of] credibility. That's more important right now. We are not forgetting that inflation is a big problem, but we have some more important problems to deal with.

Q. Backtracking a bit, you had a very substantial increase in the trade surplus, and because of the partial moratorium you saved more than \$4 billion in interest payments. Yet, you ended up with a very severe deficit, and the foreign reserves position was about the same as it was 12 months before. Why is that?

A. First of all, we went on paying Paris Club members, the World Bank and the IMF. The net flow of funds from these sources was negative. As you know, the moratorium was directed to private banks. Brazil didn't save much money because the country went on paying other creditors.

Q. There is a thesis that the moratorium actually cost this country much more than was understood at the time it was declared.

A. That's true, because by postponing a definitive and lasting agreement, Brazil kept paying high margins over Libor [London Interbank Offered Rate] and this is why the president became convinced that a quick agreement with the international financial community would be needed.

Q. Mr. Bresser said publicly that his negotiating position with the banks was making unilateral securitization of debt as a non-negotiable demand.

A. We are convinced that a bond plan should be voluntary. The bond should not have any type of link with a conversion plan.

Q. Is the moratorium over? A. No, it's not. Brazil has said that we are prepared to lift the moratorium, or better, to start paying interest if we get the conditions to do so. According to our balance of payments projections, we are not able, without hurting the level of our reserves, to pay interest. We think we could bear payment of a third or perhaps 40 percent of interest, provided the banks can raise the remaining two-thirds, or 60 percent. Then, yes, why not start paying?

Q. Do you think the Cruzado Plan would have worked if the budget corrections you are talking about had been made then? A. Yes. The Cruzado Plan was a lost opportunity. If at that time we had carried out a sound fiscal policy, yes, I think the plan would have worked.



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By Juan de Onis

COMMERCIAL DISCOVERY

By Juan de Onis

COMMERCIAL DISCOVERY

By Juan de Onis

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Developing the Last Frontier

Miners, Settlers and Indians Fight for a Share of Amazon's Wealth

Without development of the Amazon's mining and energy resources, the more industrialized South would be deprived of raw materials and power considered strategic for economic growth.

By Juan de Onis

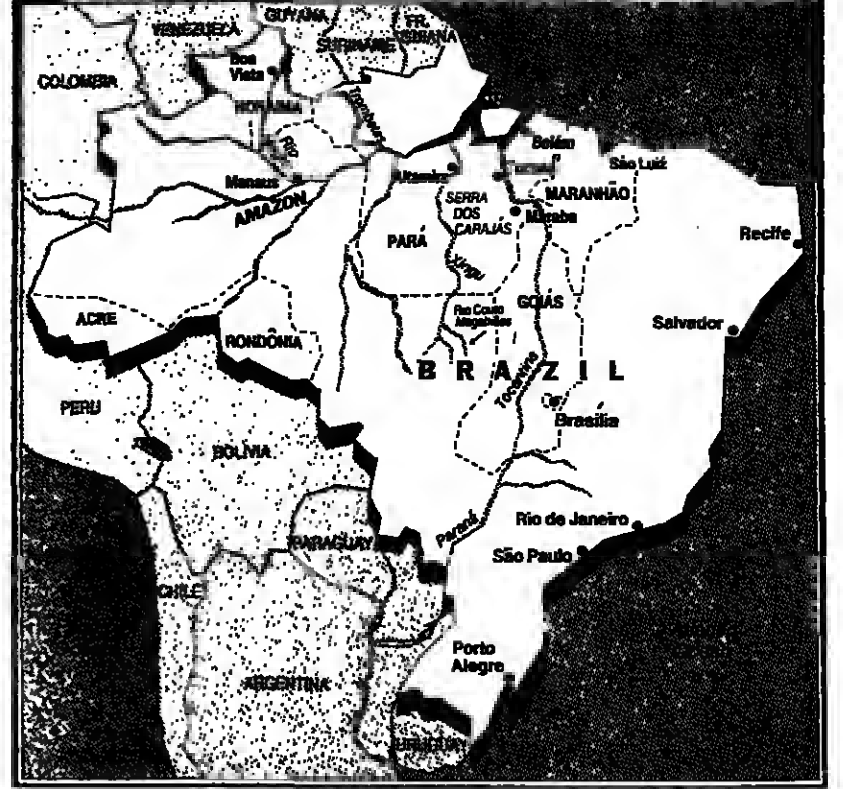
MARABA, Brazil — The great bridge on the Tocantins River, a symbol of Brazil's dynamic occupation of the Amazon frontier, has become a blood-stained landmark of the social violence that accompanies this penetration.

Serra Pelada, as well as many other gold sites in the Amazon, have been occupied illegally by about 300,000 independent miners, who are opposed to big, mechanized mines.

Further west, along the upper Rio Negro, where Amazonas State borders Colombia, Parapanema has laid claim to what appears to be a major gold mine.



The Transamazon highway is vital to Brazil's development; top right, seismic testing in Urucu Amazon oilfield.



Since being opened to traffic two years ago, the 2,000-meter (2,176-yard) span has carried hundreds of thousands of settlers, mining prospectors, ranchers and lumbermen into this district, the fastest growing area of Brazil.

According to the church, about 600 persons have been killed in land conflicts in the past 10 years in southeastern Pará and the neighboring states of Goiás and Maranhão.

After four Yanomani Indians were killed last August, the area was cleared of miners by police. But the miners mounted pressure on the state governor and returned to force in December.

An agency nor the forest service deal effectively with the frontier miners, lumbermen and land grabbers who invade reserve areas.

would be deprived of raw materials and power that Brazilian economic planners consider strategic for growth.

Transamazon highway, would generate 6.3 million kilowatts, and subsequently 11 million, in a class with Brazil's Itaipu dam on the Paraná River, the world's largest.

The Tocantins bridge is the essential link for a 890 kilometer (550 mile) road that carried 23 million tons of iron ore last year from the Carajás mining district, 160 kilometers southwest of here, to an Atlantic port at São Luiz, Maranhão.

The world's largest tin mine is being developed 250 kilometers north of Manaus on the Pitanga River by Parapanema, a private Brazilian mining company. The tin oreggets being dredged from jungle streams have propelled Brazil's exports to 25 million kilograms (55 million pounds), rivalling Malaysia and Indonesia.

Parapanema has built a modern town for 6,000 people where only Waimari-Atrouad Indian villages were 10

A First in Amazon

Commercial Oil Is Discovered

By Juan de Onis

PORTO GAVIAO, Amazonas — Oilmen say luck is always needed in the search for productive sites and the first commercial petroleum find in the Brazilian Amazon is no exception.

The immediate importance of the Urucu find is regional. It is 650 kilometers southwest of Manaus, the capital of the western Amazon, which is receiving a growing influx of settlers, drawn by mining ventures and urban industries. Power is in short supply.

ALL THAT GLITTERS IS NOT GOLD.



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Petrobras, the Brazilian state company, had exploration teams setting seismic charges in the dense tropical forest west of the Jurua River here in late 1986, when a band of Indians attacked. Two workers were clubbed to death by Curuba Indians.

The oilfield at Porto Gaviao can more than supply the refinery at Manaus, and associated gas production, linked to the shut-in gas wells along the Jurua, could feed a gas transmission system.

But the Petrobras exploration plan is looking for enough output to supply not only Manaus, but the national market.

Wagner Freire, Petrobras director of exploration, said that 12 more wells would be drilled this year to complete the study of the structure and begin production.

Oil comes in hard places in Brazil. Most is now being produced from giant offshore fields on the continental shelf facing Campos, in Rio de Janeiro State.

From the submarine depths, in the range from 500 to 1,000 meters, where no diver can work, Brazil expects to extract the oil that will reach the goal of self-sufficiency.

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Today BNDES is the largest development bank managed by any individual country. The bank has invested in the last decade an average 3.7 billion dollars a year in industrial expansion. In 1988, it is going to invest 6 billion dollars, approximately, to keep the Brazilian economy growing.

Moreover, through a dynamic program of privatization, BNDES is returning many important companies to free enterprise, stimulating investment in areas still under the control of government agencies.

This has been the function of BNDES. It has accomplished the mission of developing an economy which is not going to stop moving ahead.

BNDES Banco Nacional de Desenvolvimento Econômico e Social

Q. Is the moratorium... A. No, it's not. Brazil has... Q. Do you think the... A. Yes, I think the plan...

Q. Mr. Bresser said... A. We are convinced... Q. Do you think the... A. Yes, I think the plan...

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NYSE Most Actives table with columns: Vol., High, Low, Last, Chg.

Market Sides table with columns: NYSE 4 a.m. volume, NYSE prev. close, etc.

NYSE Index table with columns: High, Low, Close, Chg.

Friday's NYSE Closing Via The Associated Press

AMEX Diary table with columns: Class, Prev.

NASDAQ Index table with columns: Class, Chg., Prev.

AMEX Most Actives table with columns: Vol., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns: Bonds, Utilities, Industrials

NYSE Diary table with columns: Close, Prev.

Odd-Lot Trading in N.Y. table with columns: Buy, Sell

Dow Jones Averages table with columns: Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns: High, Low, Close, Chg.

NASDAQ Diary table with columns: Close, Prev.

AMEX Stock Index table with columns: High, Low, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Late Rally Pushes Up NYSE

NEW YORK — A final-hour rally pushed stock prices on the New York Stock Exchange sharply higher Friday in active trading, and many analysts said Wall Street believed that lower interest rates were in the cards. The Dow Jones industrial average rose 28.18 points to close at 1,958.22. The Dow, which jumped ahead at the opening bell and then slipped back in mid-afternoon trading, added nearly 23 points in the last hour of the session. For the week, the index gained 54.71 points, or 2.9 percent. Advancing issues topped declines by more than a 2-1 ratio. Volume was about 211.88 million shares, up from 166.43 million on Thursday. A significant portion of the volume was the result of dividend strategies, with several of the most active issues scheduled to go ex-dividend next week. Broader market indexes gained. The New York Stock Exchange index rose 1.91 to 144.13. Standard & Poor's 500-stock index rose 3.78 to 257.07. The price of an average share added 42 cents. "The market held up reasonably well for the entire week," said Ricky Harrington, technical analyst with Interstate Securities Corp. in Charlotte, North Carolina. "The late move reflected an accumulation of upside momentum." Mr. Harrington said the market's late rally might have been accelerated by short-sellers covering their positions by purchasing shares before the weekend, "but it is more likely a reaction to a firm bond market." "The market really never looked bad all day," he said. "Weakness in IBM dragged the Dow down for a while, and IBM weakness was reflected to some other technology stocks. But the overall gain is a culmination of a decent looking market for the past week." Analysts said the market's advance of the past two days reflected a strong belief that the Federal Reserve Board will launch a more accommodative monetary policy leading to lower interest rates. "If the economy weakens, you will definitely see the Fed come to the rescue," said Rao Chalasani, bond and stock market strategist with Prescott Ball & Turben Inc. in Cleveland. "We do look for some kind of easing." But he cautioned that changes in Fed policy could face restrictions. "I do believe the Fed will ease to the extent it can," Mr. Chalasani said, "but I don't think it has as many choices as it had in previous years." He said that interest rates could not be cut as easily as in the past because of the growing link between U.S. economic policies and those of other industrialized democracies. Harry Miller, portfolio analyst at Johnson, Lane, Space, Smith & Co. in Atlanta, said the outlook for interest rate relief was "hopeful" but the market was still plagued by uncertainty and low investor confidence. Tenneco was the most active NYSE-listed issue, up 1/4 to 40 1/4. Public Service Co. of New Mexico followed, up 1/4 to 22 1/4. AT&T was up 1/4 to 29 1/4. IBM was down 1/4 to 112 1/4.

NYSE Most Actives table (continued)

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(Continued on Page 16)

Statistics Index: AMEX prices, Bond yields, etc.

SATURDAY-SUNDAY, JANUARY 30-31, 1988

ECONOMIC SCENE

Some Economists Insist 1988 Recession Is Coming

By LEONARD SILK New York Times Service NEW YORK — The American economy grew faster in the final quarter of 1987 than most economists expected.

The U.S. Commerce Department estimates that the gross national product — a country's total output of goods and services — rose at a seasonally adjusted annual rate of 3.7 percent in the October-December quarter, up 4.2 percent from the consensus of only 2.1 percent.

Yet the economy was, oddly enough, not stronger but weaker than expected in the fourth quarter. Final sales — inflation-adjusted GNP minus the increase in inventories — barely rose, at an annual rate of six-tenths of 1 percent.

Inventory increases increased by \$9.3 billion, measured in 1982 dollars, in the fourth quarter, that was more than twice as much as the \$24.6 billion inventory rise in the third quarter.

Much of the extra bulge in inventories was involuntary, as consumption, in 1982 dollars, fell to a seasonally adjusted annual rate of 2.5 percent, from 3.2 percent in the third quarter. Apparently the "wealth effect" — the damage to consumer spending resulting from the October stock market collapse — took a considerable toll in the final months of 1987.

But it is fallout from the stock market plunge that is hurting consumer spending, or so some economists think, an excessively tight Federal Reserve monetary policy, which could push the economy into recession? William Niskanen, a former member of President Reagan's Council of Economic Advisers, said the data released this week "suggest we've got a recession under way unless there's an easing of monetary policy."

Clearly the money supply grew very slowly during the second half of 1987. M-1 — the narrowest measure of the U.S. money supply, including cash in circulation and checking accounts and nonbank traveler's checks — grew 3.1 percent from December 1986 through December 1987, but its monthly rate of increase dropped from more than 14 percent in the first half of 1987 to less than 3 percent in the six months through November.

Similarly, M-2, a broader measure of the money supply, comprising M-1 plus overnight repurchase agreements, Eurodollars, money market funds and savings and small time deposits — grew at a trifle faster rate of 3.4 percent for the year as a whole, but again monetary growth in the second half was markedly slower than in the first.

And M-3 — a still broader measure, with M-1, M-2 and such other items as large time deposits and institutions' money market funds — grew 4.9 percent last year, with slower second-half growth.

What explains the second-half slowdown in the monetary aggregates? The obvious explanation — but not necessarily the correct one — is the accession of Alan Greenspan in midsummer to the chairmanship of the Federal Reserve Board, replacing Paul A. Volcker, who had been Fed chairman since the 1980 political campaign, seeking to prove his independence as Fed chairman and his anti-inflationary fervor. Was he behaving more as a monetarist, with greater concerns about reducing the growth of the monetary aggregates than the pragmatic Mr. Volcker? (After testing "operational monetarism" as a way to stop inflation in 1981-82, Mr.

See SCENE, Page 17

Fiat Posts 31% Rise In Profit

Auto Sales Buoy Group Revenues

TURIN — Fiat SpA, Italy's largest private industrial group, announced Friday a 31 percent rise in 1987 operating profits, to a provisional 3.22 trillion lire (\$2.61 billion) for 1987 from 2.457 trillion lire in 1986.

Fiat's chairman, Giovanni Agnelli, said the group intended to make every effort to ensure another dynamic performance in 1988 despite current international economic uncertainties.

The company said stronger sales in its auto and industrial vehicles divisions contributed to higher 1987 group revenue.

The results followed a turnaround in the fortunes of the auto division, which has contributed to soaring profits for Fiat in the past three years.

Fiat said its 1987 sales were bolstered by the addition of its subsidiaries Alfa Romeo SpA, Snaia BPD SpA and other units not consolidated in its 1986 accounts. Fiat's board approved the provisional results at a board meeting on Friday.

The company said 1987 group consolidated revenue rose provisionally 30 percent to 38.1 trillion lire, compared with 29.34 trillion lire in 1986.

Fiat did not give an estimate of group consolidated net profit, but said parent company profit in 1987 should be around 800 billion lire, against 612 billion the previous year.

The company attributed improved parent company profit last year to higher dividends from its subsidiaries, which rose about 80 percent to 677 billion lire from 379 billion in 1986.

Mr. Agnelli said Fiat faced the economic uncertainties of the future in a position of strength in the principal sectors of the European market.

"We feel able to state our clear readiness to participate in a further strengthening of the Italian and European economy according to market rules, those which in the end reward the best," he added.

On Tuesday Fiat unveiled the Tipo hatchback, a midsize car that it sees as a challenger to Volkswagen's Golf. Fiat said the Tipo would spearhead its plans to overtake VW as Europe's top automobile maker.



McDonnell Douglas's MD-11, upper left, and the Airbus A-340, which go into service in 1990.

For the Long Haul, Little Comfort

By Michael Richardson International Herald Tribune SINGAPORE — Aireraft manufacturers say they are confident about sales prospects for a new generation of long-range jets that begin scheduled services later this year.

But the makers of these long-haul planes are concerned about their passengers' comfort. "Answers have to be found to the physiological and psychological problems encountered by the passengers who will be effectively immobilized for up to 16 hours at a time," said Stuart E. Iddles, senior vice president for commercial affairs in Europe's Airbus Industrie consortium.

That compares with the almost 13 hours it now takes to fly from London to Singapore, one of the longest nonstop flights. The traditional response of airlines, Mr. Iddles said at an aviation conference here this week, was "Feed the brutes."

However, as flight times increase, there is a limit to the amount of food that a passenger can absorb, while alcohol can give a thumping headache in the rarefied cabin air, he said.

There is also a looming weight problem, for planes as well as passengers. A large airliner on a five-hour flight carries about 30 pounds (13.5 kilos) of food, drink and packaging per person.

This, Mr. Iddles said, could increase to as much as 70 pounds on long-haul flights if the traditional policy was continued.

Boeing Co. has a head start over its two main competitors, Airbus and McDonnell Douglas Corp., in the long-haul commercial jet market.

On Tuesday in Seattle, Boeing rolled out its latest version of the jumbo jet. The 747-400 seats up to 660 passengers and is about 15 percent more fuel-efficient than any previous jumbo.

Thomas R. Craig, Boeing's director of market research, said at the Singapore conference that, because of fuel efficiency and more powerful engines, the 747-400 could fly fully laden about 60 percent farther than the first generation jumbo in 1970, even though the first jumbo was lighter and carried about 100 fewer passengers.

The 747-400 will start commercial service in September or October, company officials said. Its 8,200-mile (13,250 kilometer) range will make nonstop flights possible on such routes as London-Tokyo, New York-Seoul, Singapore-London and Los Angeles-Sydney.

The Airbus A-340 and the McDonnell Douglas MD-11, which come into service from 1990, will fly even farther, though with fewer passengers. The A-340 will carry a maximum of 295 passengers, with a range of about 8,700 miles, while the MD-11 will carry up to 320, with a range of about 9,000 miles.

Japan Surplus In Trade Hit Record for 1987

TOKYO — Japan's surplus in the current account, the widest measure of trade, inched up to a record \$86.69 billion last year, from the previous high of \$85.85 billion in 1986, the Finance Ministry said Friday.

The surplus for December totaled \$9.44 billion, slightly wider than the \$9.19 billion a year earlier, it said.

It was the first year-to-year monthly increase in eight months in the current account, which measures a country's trade in such things as services, interest and dividends, as well as goods.

Masaru Takagi, a Fuji Bank economist, said he saw the current account surplus slumping to \$78 billion in the financial year beginning in April from his estimate of \$87 billion for the current financial year.

"This would be some improvement, but I must stress that there is still a problem because we can expect dramatic changes," he said.

The ministry also reported Friday that the merchandise trade surplus widened by \$3.64 billion last year to a record \$96.46 billion, from \$92.83 billion in 1986, the previous record.

It said the surplus in December was \$10.06 billion, down slightly from \$10.20 billion a year earlier.

Those figures contrast with data released earlier this month, showing that Japan's surplus shrank for December and the year.

However, the new figures were calculated on an internationally accepted basis in which cost, insurance and freight charges are stripped out of the value of exports and imports.

The earlier figures were calculated with those charges included for imports, but excluded for exports, bloating the value of imports.

Exports grew 9.2 percent in 1987 to \$224.4 billion, the ministry said, while imports jumped by 13.5 percent to \$127.9 billion.

Economists said that the sharp rise of the yen meant that Japan's exports fetched more in dollar terms last year, even though the volume of shipments declined.

Japanese officials said that when denominated in yen, the trade surplus declined slightly.

The Bank of Japan, the central bank, said Friday that the trade surplus was expected to decline steadily in dollar terms.

"The surplus in real terms will continue to decrease at a high tem-

Japan Reports Inflation at 29-Year Low

TOKYO — Japan had its lowest inflation rate in 29 years in 1987, as prices of consumer goods rose only 0.1 percent, the government said Friday.

The rate was the best since a 0.4 percent decline in 1958.

The government also reported that the unemployment rate was 2.8 percent in 1987, unchanged from 1986, but that the number of people without jobs had risen 3.6 percent to 1.73 million from 1.67 million.

In December, the rate fell to 2.6 percent, from 2.7 percent in November, seasonally adjusted.

The government said that in December, the consumer price index fell 0.1 percent to 100.9, base 1985, from November, when it had fallen 0.5 percent. But the index was up 0.8 percent in December from a year earlier.

The governor of the Bank of Japan, Satohi Sumita, said Friday that wholesale prices were expected to fall again in January because of lower utility prices. In December, wholesale prices fell 0.1 percent.

Currency Rates

Table of currency rates for various countries including Australia, Canada, France, Germany, Italy, etc.

Interest Rates

Table of interest rates for various currencies and financial instruments.

Gevaert Sees Control of Generale

BRUSSELS — A Belgian-led consortium said Friday that it was close to victory in a battle to stop the Italian financier Carlo de Benedetti from gaining effective control of the nation's biggest company, Societ  Generale de Belgique.

The consortium, led by a Belgian holding company, Gevaert NV, said it was building a stake of 34.25 percent in the vast conglomerate, which would make a hostile takeover impossible.

It would do so by buying or placing in friendly hands all of 12 million new shares that are being issued in a defensive move. The increase in capital would dilute a stake built up by Mr. de Benedetti, who is chairman of Olivetti SpA of Italy.

Reacting later Friday to Gevaert's announcement by its chairman, Andr  Leyens, Mr. de Benedetti said that he "is willing to discuss with him and his partners the modalities of an agreement."

The Gevaert consortium said it had already placed 10 million shares. It said Generale would either sell the other 2 million to the consortium or place them with friends itself. But a court has yet to rule on a legal challenge by Mr. de Benedetti on whether the capital increase is legal and whether the new stock carries voting rights.

Mr. de Benedetti has said that the capital increase would cut his stake in Generale to about 13 percent. But if he won approval for his public offer for Generale, it would rise back to around 18 percent.

Mr. Leyens said that if the share increase were struck down when the court makes its ruling on Feb. 18, one could stop Mr. de Benedetti.

"He would be the winner, and springing I would be the first to congratulate him by telephone," he said.

But assuming that the court allowed the increase, "an unfriendly takeover is now impossible," Mr. Leyens said. "With friends of the management and friends of the company we have erected a wall that cannot be breached."

He would not identify the members of his consortium. Mr. Leyens, who seeks greater influence in Societ  Generale for Belgium's Dutch-speaking north, has not ruled out cooperating with Mr. de Benedetti, but says he wants control of the company to remain in Belgium.

Japan to Keep Export Quota For U.S. at 2.3 Million Cars

TOKYO — Japan will limit its passenger car exports to the United States to 2.3 million again in the 1988 fiscal year, which begins April 1, International Trade and Industry Minister Hajime Tamura said Friday.

Auto exports account for more than 20 percent of Japan's exports to the United States. The Japan Automobile Manufacturers Association reported Friday that Japan's exports of passenger cars to the U.S. market have been hit by the strong yen and did not even reach the 2.3 million limit last year, declining 6.1 percent to 2.2 million autos.

But Mr. Tamura said the government decided to continue the restrictions in light of rising protectionist sentiment in the U.S. Congress.

"In fiscal 1988, MITI will carefully examine whether the decline in exports becomes an established trend," he said.

"If and when it is confirmed that such restraints are no longer necessary, even during fiscal 1988, the restrictions will be removed."

Japanese automakers have long argued that the limits should be removed, saying the quotas originally were set during a slump from which U.S. automakers have now recovered.

Mr. Tamura said some officials of the Ministry of Trade and Industry were also against the limits and argued that Japanese automakers no longer were capable of meeting their allotments for U.S. shipments because the yen's sharp rise has driven up the prices of Japanese products abroad, eroding their competitiveness.

Japan began limiting its auto exports to the U.S. market in 1981 under strong pressure from Washington and the slumping U.S. industry. The limit first was set at 1.68 million and was raised to 1.86 million in fiscal 1984. The United States stopped asking for the restraints in 1985, but Japan decided to limit car shipments to the current 2.3 million in fiscal 1985.

Scant Demand Forecast for Mexico's Bonds

NEW YORK — Mexico and J.P. Morgan & Co., which proposed an innovative bond auction to relieve Mexico's \$105 billion foreign debt burden, are not getting much support from other banks, bankers say. So far only a few seem willing to take part in the program announced in late December, the bankers said.

Bonn Reports Decline In Broad Trade Surplus

FRANKFURT — West Germany's current account surplus declined somewhat from its record level of 1986, while the merchandise trade surplus soared to a record high in 1987.

But economists said the numbers masked significant shifts in trade flows that are likely to slow the nation's economic growth, because the statistics are skewed by the strong Deutsche mark and weak dollar.

The current account, which measures trade in goods and services, as well as certain transfers, registered a surplus of 79.4 billion DM (\$47.6 billion), down from a record high of 82.4 billion DM in 1986.

The 1987 current account figure is preliminary, the Federal Statistics Office in Wiesbaden said Friday. The 1986 surplus was revised upward from the 80.5 billion DM originally reported.

The merchandise trade surplus climbed to 117.5 billion DM in 1987, breaking the previous high of 112.6 billion DM set in 1986.

In December, the current account surplus fell to 8.9 billion DM from 9.6 billion DM in November. The November figure was revised downward from 10.3 billion DM.

The merchandise trade surplus grew to an unadjusted, or nominal, \$13 billion DM in December from 11 billion DM in November. But the strong nominal trade performance in December does not accurately reflect the situation, according to a senior West German financial official.

Hans Tietmeyer, the Finance Ministry's state secretary, said the rise was due to a statistical phenomenon known as the J-curve effect and that financial markets should look more at trade volume.

"We had been expecting a big figure, but it is due to the J-curve effect," Mr. Tietmeyer said. Historically, the J-curve effect shows that as a country's currency appreciates against others, it tends to initially improve that nation's trade balance by lowering the cost of imports. Later, the strong currency erodes exports, weakening the trade position.

Economists said that despite the record merchandise and high current account surpluses, trade flows have shifted because of the impact of the negative effect of the strong mark on West Germany's exports.

Horst Seidler, an economist at the German Institute for Economic Research in Berlin, said West Germany's price stability also distorts the trade picture because import prices fell about 7 percent in 1987, causing imports to show a decline although volume rose significantly.

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BUSINESS ROUNDUP

Allegis to Buy Back 63% of Shares

CHICAGO—Allegis Corp., the parent of United Airlines, which has been selling its car-rental and hotel businesses, announced Friday a \$2.84 billion repurchase of 63 percent of its shares.

had not mentioned the sale of its Covia reservation system. Earlier Coniston had threatened a proxy battle to control the Allegis board if its management did not authorize a buyback of shares.

was considering a cash dividend to all stockholders of up to \$30 a share instead of distributing proceeds from the sale of several assets through a self-tender.

More Divestitures Likely From Standard Chartered After Selling Arizona Unit

LONDON—Standard Chartered PLC, in selling its United Bank of Arizona subsidiary to Citicorp for \$210 million, is slightly strengthening its balance sheet in what analysts say is only the start of a wider divestiture program.

Decentralizing Management at IBM

If the Plan Succeeds, It Will Ratify a U.S. Corporate Style

By David E. Sanger

NEW YORK—With its sweeping restructuring announced Thursday, International Business Machines Corp. joins a growing list of U.S. corporations that are pushing responsibility for decisions far down the chain of command.

justifying it to headquarters. But Armonk would retain responsibility for setting overall standards, including those that products contain state-of-the-art technology.



Kaspar V. Cassani



Jack D. Kuehler

Sweden's Nordstjernan Bids for Builder

STOCKHOLM—The Swedish industrial conglomerate Nordstjernan AB said Friday that it was making a bid for the building company Armerad Betong Vårforbättring AB.

Johnson Construction Co. would create Sweden's second biggest building company after Skanska AB, said Bert Magnusson, Nordstjernan's managing director.

shopping chain, Avesta AB, a special steel producer, and JCC. Nordstjernan has offered ABV shareholders 325 kronor a share, or a 140-krona bid together with a two-for-five share swap for Nordstjernan stock.

Swedish Industrial Conglomerate Nordstjernan Bids for Builder

Stock market analysts were expecting Nordstjernan to announce the disposal of Union Bankcorp for about \$800 million, helping to shore up its capital base, which most analysts consider weak.

Under the plan, thousands of IBM employees will switch jobs or find themselves working for new managers as part of an effort to put new spark into a company that insiders say is bloated and that customers complain has often kept up with competition.

BP Gets Stake From Arco, Has 54% of Britoil

LONDON—Atlantic Richfield Co. said Friday that it had formally accepted British Petroleum Co.'s offer of 500,000 shares, or 54.02 percent of the company, for \$2.1 billion (\$1.08 billion), for its 24.03 percent holding in Britoil PLC.

provide relief for loan write-offs, said Peter Rona, president of IBJ Schroeder Bank & Trust Co. Sales of Mexican debt have increased in January, debt traders said, but the price has not fallen because demand remains high.

It had announced in December that it had lost about 250 million francs (\$44.2 million) on the Matif early last year, before the October stock market collapse.

MEXICO: Scant Demand Forecast for Bond Auction

Other bankers said that was highly unlikely and questioned the legality of Mexico buying its own debt, albeit through agents. Bankers also reported rumors that Morgan was buying debt to buy the debt on the secondary market at 50 cents and then tender at 60 cents, a banker said.

It had announced in December that it had lost about 250 million francs (\$44.2 million) on the Matif early last year, before the October stock market collapse.

Delaware Law Curbing Hostile Takeovers Expected Soon

By Stephen Labaton

For example, a takeover could be completed if the buyer, while crossing the 15 percent threshold, manages to buy at least 85 percent of the stock outstanding. The 85 percent excludes shares held by directors who are officers and certain shares held under employee stock plans.

Every company incorporated in Delaware would be covered by the law unless its board and shareholders decide to opt out. Once adopted, the new rule will apply retroactively to Dec. 23, 1987.

Cogema Sues on Matif Loss

PARIS—The Paris bourse's fledgling financial futures market suffered a blow on Friday when the state-owned Cogema filed suit on fraud allegations as a result of heavy losses.

It had announced in December that it had lost about 250 million francs (\$44.2 million) on the Matif early last year, before the October stock market collapse.

Spot Commodities

Table with columns for various commodities like Wheat, Soybeans, Corn, etc., and their prices.

U.S. Treasury

Table with columns for U.S. Treasury bonds and their yields.

World Stocks

Table with columns for various world stock indices and their values.

Company Results

Table with columns for various companies and their financial results.

Philips Petroleum

Table with columns for Philips Petroleum and other companies.

Shell

Table with columns for Shell and other companies.

BP

Table with columns for BP and other companies.

International Funds

Large table listing various international funds and their performance.

CURRENCY MARKETS

Dollar Rises, Ending a Stable Week

NEW YORK — A flurry of preweekend purchases on Friday pushed the dollar higher, ending a week of unusually stable foreign exchange trading.

London Dollar Rates

Table with columns: Currency, Bid, Ask, and other market data for London Dollar Rates.

There are lots of disagreements inside dealing rooms on the dollar's future trend, lots of confusing signals from economic indicators.

The dollar's modest rise was attributed by some to a sharp fall in gold bullion prices and to seven rumors of a group of Seven meeting this weekend.

Gold Falls \$12 To 6-Month Low of \$454

NEW YORK — Gold bullion fell more than \$12 to six-month lows on Friday on technical liquidation by speculators and fund traders.

DAVOS: Economic Forum Warns Against Global Currency Instability

(Continued from Page 1)

Robert Heller, a member of the Federal Reserve Board, said that growth, not recession, was the right way to correct trade imbalances.

plus countries in Asia and Western Europe.

Willy de Clercq, the European Community's commissioner for external relations, warned European companies to start restructuring right away to prepare for the much stiffer competition they will face after the community becomes a single market in 1992.

There is no point in trying to resist these developments.

Structural flexibility to meet rapidly changing world conditions was also urged by Bruce Smart, the U.S. undersecretary of commerce for international trade.

Economic statistics should be revised to take account of intellectual assets, he said.

A similar point was made by Mr. Nakasone, who said that intellectual property, such as patents and information, was already playing a major role in the U.S. economy.

Japanese Investors Cut Foreign Bond Purchases in 1987

TOKYO — Japanese investors bought about 22 percent fewer foreign bonds in 1987 compared with the previous year, the first time since 1983 that net purchases have declined, the Finance Ministry said Friday.

They predicted that the slow demand for foreign bonds would continue in 1988, despite any revival of buying caused by the current stabilization in the yen/dollar rate.

Net purchases of Japanese bonds by foreigners totaled \$1.04 billion in December, up from \$817 million in November.

Foreign investors may have bought Japanese bonds in 1987 on expectations of a stronger yen, after selling to take profits in 1986, the officials added.

SCENE: The Outlook on Recession

(Continued from first finance page)

Volcker swung to monetary stimulus when the deep recession threatened to get out of hand.

It is far from clear that Mr. Greenspan meant to slow the growth of the monetary aggregates as much as occurred.

Whatever its reasons, the Fed does appear to have held an extremely tight grip on monetary expansion during the second half of 1987.

The threat of an unbalanced economy and a recession, manifest in the new GNP data, may cause the Fed to ease its monetary policy.

Large financial table containing various market data, including OTC prices, stock market indices, and company performance metrics.

ACROSS
 1 Canine "blue book" org.
 4 Auto mechanic's concern.
 8 Harris.
 13 Emulate.
 17 Like a church mouse.
 19 Associated with the sea: Abbr.
 20 Impressive grouping.
 21 Word with officer or maker.
 22 The Granary of the South.
 24 Uncomplicated enjoyment.
 26 Most spare.
 27 One of the Lauders.
 28 Neighborhood businessman.
 29 "Hiding" place.
 30 Proclaimed publicly.
 31 Fried in Figeiras.
 32 P.I.'s.
 33 Dentists' aids, at times.
 34 Constraint of circumstance.
 37 Answer-sheet column.
 38 Initiatives.
 41 Eastern flag symbol.

Blends By Robert W. Sturges

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64
65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96
97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112

DOWN
 10 Venus de Milo.
 11 Mouth-related stare.
 12 Scansion unit: Abbr.
 13 Infatuates.
 14 Loud relative.
 15 Levantine port.
 16 Memorabilia.
 18 Rubicundity.
 21 Juliet's betrothed.
 23 Dorothy, to Em.
 25 Way out.
 27 Gaelic contraction.
 30 Hallowed.
 31 Noted D.C. art gallery.
 33 Prado exhibits.
 34 British brooch.
 35 Litter.
 36 Tolkien characters.
 37 Position Gehrig played.
 38 Demanding urgent action.
 40 Drives.
 43 Shoe size.
 45 Bode.

DOWN
 47 Shed an outer layer.
 48 Early Chan.
 49 Chief Justice 1874-88.
 50 Madison Ave. figures.
 51 Intensely interested.
 53 River at Plymouth Sound.
 54 Heron's relative.
 56 Paddy's place.
 58 Kind of nest.
 59 In a line.
 60 Destructive operatics.
 61 Memorable.
 62 Fountain order.
 64 Refines a surface, in a way.
 65 Powerful people.
 66 Bridge support.
 67 "A Death in the Family" author.
 68 Porky Pig flick.
 69 Melvyn's co-star in "Ninotchka".
 70 List parts.
 73 Rock opera.
 75 Changes a neighborhood's character.
 78 Battologize.
 80 Rainer pool.
 81 Syrinx.
 83 Certain shoe sites.
 84 Poi parts.
 86 Edible seaweeds.
 88 Sight from Rouen.
 89 Asylum.
 90 Despise, e.g.
 91 What cowbirds don't build.
 92 Ranch visitor.
 93 Organic compound.
 94 Ollie's friend.
 95 Foolish talk: Slang.
 97 French conjunctions.
 98 It's in one era, out the other.

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THE TRIAL OF SOCRATES

By I.F. Stone. 282 pages. \$18.95. Little, Brown, 34 Beacon Street, Boston, Mass. 02106.

Reviewed by Christopher Lehmann-Haupt
SOCRATES'S drinking of the hemlock in 399 B.C. must surely be counted among the most dramatic acts of human history. Yet is anyone clear on why exactly the ancient Greek philosopher insisted on accepting his death sentence from the Athenian court when he could probably have escaped into exile, or on what the events were that led to his indictment and trial in the first place?
 Plato, who made Socrates the hero of his famous dialogues, seems to suggest that his mentor got into trouble for exhorting his fellow citizens to virtue. Some classical scholars take literally the apparent language of the court's indictment, which, according to Plato's paraphrase of it in his "Apology," read in part that "Socrates is a wrongdoer because he corrupts the youth" of Athens. Still others focus on the second part of the indictment, that Socrates

BOOKS

"does not believe in the gods the state believes in, but in other new spiritual beings," and suggest he was only the most famous victim in a wave of persecutions aimed at irreligious philosophers.
 The issue has continued to tantalize posterity, and now I.F. Stone has joined the chase in his 12th book, "The Trial of Socrates."
 Why is this maverick journalist, this dogged civil libertarian, this one-man investigative gang who put out I.F. Stone's Weekly for 19 years, this author of such books as "Underground to Palestine" (1946), "Hidden History of the Korean War" (1952), "The Haunted Fifties" (1964) and "The Killings at Kent State" (1971), suddenly grazing in the peaceful pastures of ancient history?
 The answer is a complicated story involving the angina pectoris that forced Stone to give up editing his weekly in 1971 at the age of 64; a word processor producing bold enough type for him to overcome a cataract in writing the present book; a lifelong

passion for philosophy that led him to fall "in love with the Greeks," and a need to understand how the trial of Socrates could have happened in so free a society as his beloved Athens.
 How could it have happened?
 One can give his answer because there's so much more to his book than the conclusions he arrives at. Essentially, Stone reasons, Socrates was put on trial because he didn't believe in democracy as the city-state of Athens practiced it, but rather in an absolutist form of leadership by "the one who knows." What precipitated his indictment at the age of 70 were the upheavals brought on by the Peloponnesian War and the threat in 401 B.C. of yet another takeover by anti-democratic people who had been students of Socrates and whose like had seized leadership in 411 and 404.
 As for why Socrates refused to defend himself and provoked the court into imposing his death sentence: Stone believes that the philosopher wished to die in any case and that to have articulated the defenses available to him, such as the right of free speech, would have meant conceding democratic principles to a system he held in contempt.
 The portrait of Socrates that emerges from Stone's reasoning is far from flattering. In point of fact Western civilization's first great philosopher stands accused of snobbery, class prejudice, conceit, arrogance, negativism and coldness to his wife.
 Still, the case Stone makes is impressive. His reasoning, though often necessarily circuitous, is persuasive, whether he is gleaming evidence from the works of Homer and Aeschylus to show what a poor choice for an archetypal ruler Socrates' nomination of Agamemnon was, or winnowing the ancient Greek language to see what the true meaning of certain key words, such as those that appear in Socrates' indictment, might be.
 More important, Stone's scholarship is alive and engaging. As Stone writes in his preface, "our attempt at a new understanding of the trial of Socrates will also become a fresh look at classical antiquity. It is our yesterday, and we cannot understand ourselves without it."

Christopher Lehmann-Haupt is on the staff of The New York Times.

DENNIS THE MENACE



"Yeah, he may be outa shape, but don't ever play marbles with him."

WEATHER

EUROPE			ASIA		
HIGH	LOW	CLOUDS	HIGH	LOW	CLOUDS
Algeria	14-18	b, c, r	Hong Kong	22-26	b, r
Athens	12-18	b, c, r	London	9-15	b, c, r
Bombay	28-32	b, r	Manila	24-30	b, c, r
Buenos Aires	10-18	b, c, r	Osaka	11-17	b, c, r
Calcutta	28-32	b, r	Seoul	2-8	b, c, r
Cairo	16-22	b, c, r	Singapore	24-30	b, r
Delhi	28-32	b, r	Tokyo	14-20	b, c, r
Dublin	10-16	b, c, r			
Geneva	10-16	b, c, r			
Hankow	12-18	b, c, r			
Harbin	-2-4	b, c, r			
Hong Kong	22-26	b, r			
London	9-15	b, c, r			
Los Angeles	62-70	b, c, r			
Manila	24-30	b, c, r			
Medan	24-30	b, r			
Moscow	-2-4	b, c, r			
Osaka	11-17	b, c, r			
Paris	10-16	b, c, r			
Seoul	2-8	b, c, r			
Singapore	24-30	b, r			
Tokyo	14-20	b, c, r			

Solution to Last Week's Puzzle

A grid of numbers representing the solution to last week's puzzle.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Jan. 29

Market	Index	Change	Prev.
Amsterdam	214.38	+2.14	212.24
Bombay	257.00	+4.00	253.00
London	271.00	+1.00	270.00
Manila	24.30	+0.30	24.00
Osaka	14.80	+0.10	14.70
Seoul	2.80	+0.05	2.75
Singapore	24.50	+0.50	24.00
Tokyo	14.20	+0.10	14.10

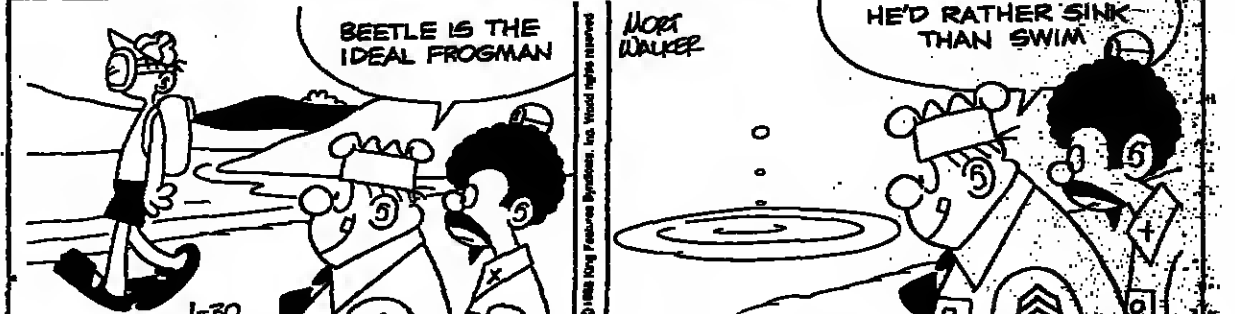
PEANUTS



BLONDIE



BETLE BAILEY



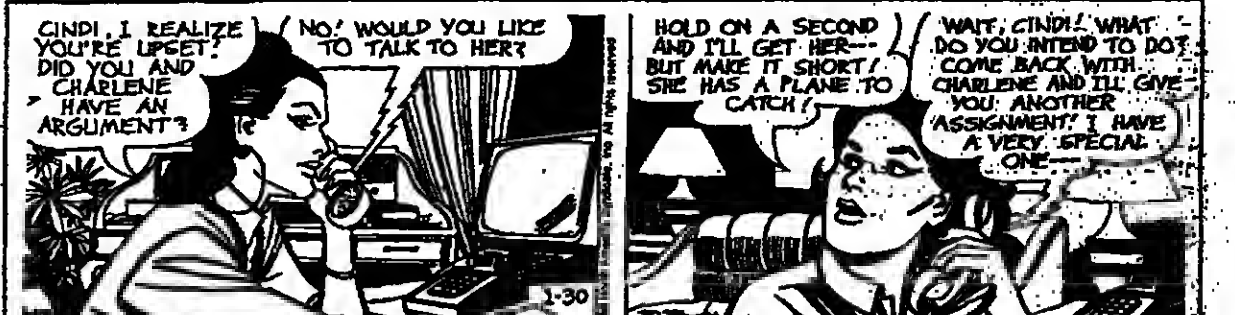
ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



Market Data

Market	Index	Change	Prev.
Amsterdam	214.38	+2.14	212.24
Bombay	257.00	+4.00	253.00
London	271.00	+1.00	270.00
Manila	24.30	+0.30	24.00
Osaka	14.80	+0.10	14.70
Seoul	2.80	+0.05	2.75
Singapore	24.50	+0.50	24.00
Tokyo	14.20	+0.10	14.10

Be Or Not... 'Tis a Question For Leaf Be...
 KOREBOARD...
 Basketball Association...
 Standings...
 The Global Newspaper

Japanico 150

SPORTS

When All Sunday's Factors Are Assessed, Last Line Is: Can Redskins Stop Elway?

By Ken Denlinger

Washington Post Service
SAN DIEGO — For an early word on how Super Bowl XXIII might swing between the Washington Redskins and the 34-point favored Denver Broncos...



Quarterback John Elway, who most consider to be the key to who wins the Super Bowl, blew a bubble while listening to instructions from the Broncos' coach, Dan Reeves, at practice Thursday.

allow the receivers to use their imagination to get open. With John, he's so creative that you have to be imaginative yourself to get open.
Fortunately for the Redskins, they have enough quality rushers to pressure Elway, and enough quality to keep everybody relatively fresh...

To Be Or Not A Tree? 'Tis a Question Few Will Leaf Be

By Ira Berkow
New York Times Service
SAN DIEGO — If you were a tree, what kind of tree would you be?
"Ah what?" asked Ricky Nattiel, the wide receiver for the Denver Broncos.
"A tree," he said.
"Up-link. A radio reporter the other day was asking players, 'If you were a tree, what kind of tree would you be?' He didn't get to you."



Dexter Manley of the Redskins found himself at center stage not once but thrice on Thursday.

Whatever this means, I don't know.
And Joe Gibbs, the Redskins' coach, was asked the same question. "Depends on the big plays," he said. "We're both capable of making them. But then if the defenses get at each other, there won't be big plays. So you never know. Besides, I'm the last guy to ask."
Then there are all the expected questions about the game's superstar.
"Everybody's asking about Elway," said Monte Coleman, a Redskins linebacker, looking slightly miffed. "What about me?"

No. 3 Carolina Falls To Wake Forest Rally

By Michael Janofsky
New York Times Service
CALGARY, Alberta — The times were heady here, back at the dawn of the decade. Oil prices were up. Agricultural markets were strong. Unemployment was virtually nonexistent...



No. 8 Michigan's Glen Rhee slammed the point home during a 76-64 defeat of No. 13 Illinois.

Manley Finds There's a Stick, but No Carrot

By Tom Friend
Washington Post Service
SAN DIEGO — Dexter Manley, the Washington Redskins' defensive end, began the day Thursday distributing "Carrot" candy. The breakfast of NEC Champions "Carrot" candy ended in a disappointing session because he was "Widley" Manley, who was "Widley" Manley, who was "Widley" Manley...

SCOREBOARD

Table containing National Basketball Association Standings, U.S. College Results, and Hockey NHL Standings.

World Cup Skiing

Table containing Men's Downhill and Overall Standings for the World Cup Skiing competition.

Transition

Table containing Baseball American League and National League standings.

Hockey

Table containing NHL Standings for the Wales Conference and Thursday's Results.

Games Help Calgary End Hard Times

By Michael Janofsky
New York Times Service
CALGARY, Alberta — The times were heady here, back at the dawn of the decade. Oil prices were up. Agricultural markets were strong. Unemployment was virtually nonexistent...

SPORTS BRIEFS

Zurbriggen Wins Downhill
SCHLADMING, Austria (AP) — Firmin Zurbriggen of Switzerland conquered a dangerous downhill course Friday to win his second World Cup race...
Love Puts Into Golf Lead
SCOTTSDALE, Arizona (NYT) — Devis Love 3d, having changed to a new putter, sank six birdie putts and one eagle putt of 20 feet (6 meters) Thursday to shoot an eight-under-par 63 for a three-stroke lead...

POSTCARD

Culture in the Amazon

By Samuel Abt
International Herald Tribune
MANAUS, Brazil — Because the rubber tree defied cultivation and had to be tapped where it was found in the malarial jungle, the worker's life was close to slavery during the Amazon's 19th-century rubber boom.

Such a city demanded culture, of course. In San Sebastian Square, facing the Monument to the Opening of the Ports, arose the Teatro Amazonas, Manaus's opera house.

English, French and German merchants built mansions huge enough to serve now as government ministries. The cost of living in Manaus was proudly reckoned to be several times higher than in New York, pushed upward by the Europeans' habit of sending their laundry home to London and Paris.

When it was completed in 1896 after 15 years' work, the neoclassic building and its grounds covered a city block. The cost was put at \$2 million, a lordly sum but judged to be worth it for a building so unexpected.

No one could imagine that in 1876 seeds of the rubber tree would be smuggled out of the Amazon. Planted in England, they produced seedlings that were sent to Malaysia, Ceylon and Java, where the rubber tree could be grown scientifically for the first time.

Now the Teatro Amazonas is being restored for the second time since 1974, when it was air conditioned. The building is encased in scaffolding but open to tourists, who must dodge workers spraying chemicals to countertermite.

The slow-motion part and the stained, weather-worn stucco of modern Manaus were inconceivable late in the 19th century. That was a time for grand gestures: The Customs House was ordered from England, shipped across the Atlantic in blocks and assembled on the city's waterfront in 1906.

Officials talk of eventually reopening the theater in style by booking an international opera or ballet company. The Bolshoi has been mentioned prominently but, because of the uncertainty over repairs, no contract has been signed yet.

Los Angeles Museum Gets Netsuke Collection

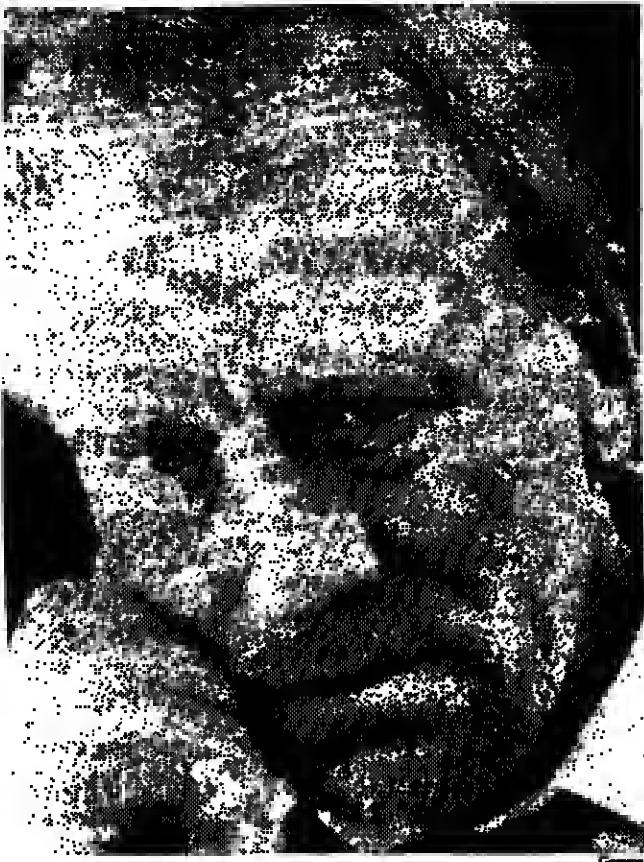
LOS ANGELES — One of the world's most acclaimed collections of Japanese netsuke, valued at more than \$1 million, has been acquired by the Los Angeles County Museum of Art.

Two collections accelerate the museum's goal of establishing a world-class Japanese art collection. The netsuke collection consists of 141 pieces from the 18th and 19th centuries.

Max von Sydow's Taxing Times

By Barry James
International Herald Tribune

SAIYING he has "no hard feelings" about a tax case that took 14 years to settle, Max von Sydow is back at Stockholm's Royal Dramatic Theater, doing Strindberg.



Actor von Sydow. Moving back to center stage in Stockholm.

After a string of Hollywood successes, including the title role in "The Exorcist" and the part of the assassin in "Three Days of the Condor," von Sydow is resuming the stage acting career that he left in 1974 in the midst of an angry battle with the tax authorities.

"Of course, in the beginning I was very paranoid," he said in a telephone interview from Stockholm, "but after a few years I kind of shook it off."

Unlike Ingmar Bergman, who also left Sweden for a while over a tax dispute, von Sydow said he never considered himself an exile. "I got a chance to work in Italy, and I happened to be very fond of Rome. There were no good offers in Sweden, so I left. He later moved to Hollywood, and now lives in Paris.

Authorities were, in effect, finding him guilty of a criminal charge and punishing him without a full and fair hearing. On grounds that the failure of the government to grant him a hearing was a violation of his human rights, his lawyers took the case to the European Human Rights Commission in 1985.

But he has kept a country home in Sweden. "I'm sure I'll end up here eventually," he said. He said he found his tax dispute "boring, complicated and frustrating. I have a very bad memory. I'm very bad with figures and I can't think legal terms. I just can't understand that language. It bothered me too much and distracted me from my work so I handed it over to my legal people and let them handle it."

Von Sydow is rehearsing for his leading part in an early Strindberg play called "Master Olof" which will open at the Royal Dramatic Theater Feb. 27. It's the first time he has been on the stage since appearing in Tom Kempinski's "Duet for One" in New York six years ago. He also appeared in the movie version of that play, released last year, with Julie Andrews and Alan Bates.

"The reason was obvious, I think," said von Sydow. He said he was happy at the outcome, not because of the money but "because I wanted to get some kind of recognition."

Von Sydow's battle with the authorities in one of the world's most heavily taxed countries began in 1973, when he charged him a supplementary levy of 120,339 crowns for allegedly underpaying his taxes. He paid it, he said, "because I knew that if I won my case, I would get it back, and I was sure I would get it back. But it took me a very long time."

A spokesman for the Swedish finance ministry in Stockholm said a *skatteplatt*, is still imposed in the event of nonpayment or underpayment of tax. But he added that, partly as a result of the von Sydow case, disgruntled citizens now have the possibility of appealing in a face-to-face meeting with a tax inspector.

"It is much better if you have someone to whom you can talk personally, even if it's somebody you really dislike," von Sydow said. "In the United States you can make deals with these people. You can talk to them directly."

Ingmar Bergman left Sweden in 1976, saying he would never work there again after two policemen interrupted a rehearsal and took him away for questioning about his taxes. Bergman returned a couple of years later, however, after the charges against him were withdrawn. In another celebrated case of the period, Astrid Lindgren, an author of children's books, lampooned the government after it made her pay 102 percent of her earnings in taxes in 1976.

government in Sweden for some time," von Sydow said. However, asked if he thought the tax climate had improved, he said, "not really."

Bergman discovered von Sydow in the 1950s when he was an actor in the municipal theater at Malmoe, and later featured him in many of his films, including "Wild Strawberries," "The Magician," "The Virgin Spring," and "The Passion of Anna."

Von Sydow said he's happy to be back on the stage after his digression to Hollywood. "The stage is more rewarding because you know what is going on. The part is yours. You are there. No one comes in afterwards and edits you. And also of course you have the direct contact with the audience."

Von Sydow has no immediate plans to appear in any more movies. He recently finished directing his own film in Denmark, called "Katinka," based on a novel by a Danish author, Herman Bang.

"Master Olof," written when Strindberg was 23, is a historical drama on the theme of the 16th century Lutheran reformation in Sweden. It is being directed by Lennart Hjulstrom, who has worked mostly in Gothenburg.

"It's kind of Brechtian," von Sydow said. "It deals with conflicting ideas between the man who wants to reform the religion in his country and another man, a revolutionary, who wants not just to change religion but the entire society. That's the part I'm playing, a printer. In those days, they were the new media people and very controversial."

Von Sydow said he's also enjoyed catching up with several old colleagues, including his co-star in "Master Olof," Margarita Krook, a contemporary at the acting academy.

"This is my theater home," he said. "This is where I started, because the acting academy in those days belonged to this theater. It doesn't any more, since it has become divorced from the theater and has become a state academy somewhere else in town, which I think is better. In the old days, we belonged to the theater and were part of it, and much of what I think I've learned from the theater I got just by watching the rehearsals when the big elephants were dancing on the stage."

PEOPLE Concert for Children

Harry Belafonte says he'll join performers from Africa and other parts of the world for a concert in Harare, Zimbabwe, to draw attention to the plight of children in southern Africa. "In order to have a healthy Africa, you must have healthy Africans," Belafonte, a UNICEF goodwill ambassador, said at a news conference in New York. Other performers slated for the "One Love Africa" concert March 5 are Sade, the Blumenthal Boys, Princess, Manu Dibango, King Sunny Adé, Yusef Kamil, Miriam Makeba, Hugh Masekela, Ladysmith Black Mambazo, Omara Portuondo and Bonga, according to the coordinator of the symposium. The concert will be held as part of a five-day symposium beginning March 1.

The Swiss branch of Sotheby's is suing the lawyer Marvin Mitchellson, contending that he failed to pay \$1.1 million he owes for a bib necklace and a sapphire pendant with diamonds. Mitchellson purchased the jewelry at an auction in Geneva last April, according to the papers filed in Los Angeles. Mitchellson said the dispute centers on his desire to pay for the necklaces in U.S. dollars rather than Swiss francs. "It would save me a couple of hundred thousand dollars," he said. Mitchellson had agreed to pay 1.4 million Swiss francs for the necklaces, interest of 10 percent per year for the delinquency, and attorney's fees.

Christian Lacroix and Patricia Kennedy were among 22 men and women named the most elegant in the world in 1987 by The Best Awards committee, under the patronage of the French Federation of Fashion. The awards were given Friday night before a star-studded crowd at the Musée de la Mode et du Costume in the Palais Galliera in Paris. Other winners included Ali MacGraw, Claude Pompidou, Enrico Covert and Queen Noor of Jordan, whose award was accepted by Jordan's ambassador, Amang.

Ciccio, the hard-core pornography star elected last year to the Italian Parliament, says she worked briefly for the Hungarian secret police as a "Mata Hari" sex spy to try to pry secrets from visiting American politicians. Brigitte Staller, who was born in Hungary and took the "Ciccio" alias, moving to Italy, says in her autobiography "Confessions," published this week in French, that the episode lasted just a few days and ended with the man's suicide. "That night I cried with anger and shame," she writes in the 135-page book. Ciccio, who says she does not know the real name of the American politician, launched his autobiography with a party at Paris nightclub Thursday night.

Andrés Pastrana, a television personality and conservative candidate for mayor of Bogotá, received the King of Spain Journalism award Thursday, three days after he was freed from kidnappers' captivity for Colombia's cocaine cartel. Pastrana, 33, won the award sponsored by the Spanish national news agency EFE and the government-run Institute for International Cooperation for a report titled "The Punishment of the Gods" on drug trafficking in Colombia which appeared on his daily newspaper, TV Hoy. Pastrana was freed from his kidnappers Jan. 25 by an army patrol looking for Attorney General Carlos Mauro Hoyos, whose bullet-riddled body was found under Medellín, the so-called cocaine capital of Colombia. Pastrana was kidnapped Jan. 16.

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GOING ONCE, TWICE, SOLD!!! INTERNATIONAL ART EXHIBITIONS, AUCTION SALES' COLLECTOR'S GUIDES IN SATURDAY'S INTERNATIONAL HERALD TRIBUNE TODAY ON PAGE 6.

ANNOUNCEMENTS SAVE MORE SUBSCRIBE BEFORE MARCH 31, 1988 INTERNATIONAL HERALD TRIBUNE

MOVING WORLDWIDE MOVING ALLIED REAL ESTATE TO RENT/SHARE FRENCH PROVINCES

REAL ESTATE TO RENT/SHARE DOMESTIC POSITIONS WANTED EMPLOYMENT DOMESTIC POSITIONS AVAILABLE LEGAL SERVICES DIVORCE IN 24 HOURS

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INTERNATIONAL CLASSIFIED

Real estate, employment, and legal services classifieds. Includes sections for Real Estate (Paris, Geneva, London), Employment (General, Domestic, Educational), and Legal Services (Divorce, Immigration, etc.).

LOW COST FLIGHTS EDUCATION

Low cost flights, education, and other services classifieds. Includes sections for Airlines, Education (Language schools, etc.), and other services.

Large advertisement for 'The New Britain' newspaper, featuring a portrait of a woman and text about subscription rates and contact information.